

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014





CITY OF GRAPEVINE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2014

**Prepared by: Department of Administrative Services
Finance Division**

CITY OF GRAPEVINE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

William D. Tate
MAYOR

CITY COUNCIL

Chris Coy

Darlene Freed

Shane Wilbanks

Mike Lease

Sharron Spencer

Duff O'Dell

Bruno Rumbelow
CITY MANAGER

Jennifer Hibbs
ASSISTANT CITY MANAGER

Greg Jordan
CHIEF FINANCIAL OFFICER

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INTRODUCTORY SECTION

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March 10, 2015

To the Honorable Mayor,
Members of the City Council, and
Citizens of the City of Grapevine, Texas

The Finance Division is pleased to submit the Comprehensive Annual Financial Report for the City of Grapevine. The City's Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, based upon a comprehensive framework of internal control that it has established for the purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City government. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

This report fulfills the requirement of state law which requires the City file to the State an annual financial statement and audit opinion within 180 days after the last day of the municipality's fiscal year (FY).

Pattillo, Brown & Hill, LLP have issued an unmodified ("clean") opinion on the City of Grapevine's financial statements for the year ended September 30, 2014. The independent auditors' report is located at the front of the financial section of this report.

The Management and Discussion Analysis (MD&A) is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. The letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the *State of Texas Uniform Grant Management Standards*. Information related to this state single audit can be found in the Internal Control and Compliance Section of this report.

Profile of the City of Grapevine

Incorporated in February 1907, Grapevine is a home rule City operating under a Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a six-member Council. The City Manager is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Council members serve three-year staggered terms, with two Council members elected each year. The Mayor is elected to serve a three-year term.

The City provides a full range of services, including police and fire protection, emergency ambulance service, sanitation, planning and zoning, public improvements, water and sewer services, culture and recreation and general administrative services.



Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The City has included financial statements for five blended component units due to their fiscal dependency on the primary government. The Tax Reinvestment Zones Numbers One and Two (the "TIFS"), The Crime Control and Protection District (CCPD) "Crime District," The Grapevine 4B Economic Development Corporation, and the 4B Transit Fund, which accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, redevelopment and design and construction of the Main Street Rail Station.

The Heritage Foundation is a legally separate organization that is a discretely presented component unit of the City. The Foundation was organized to promote the preservation, protection and economic development of Grapevine's physical and cultural heritage. Additional information on all six component units can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City of Grapevine's financial planning and control. The budget is prepared by fund, and department (e.g. police, fire). Department Directors may transfer resources within their department as they see fit, but transfers between departments and funds require approval from the governing Council.

The City is located in the center of the Dallas/Fort Worth metropolitan complex, 21 miles northwest of downtown Dallas and 19 miles northeast of downtown Fort Worth. Three major freeways, State Hwy 114, State Hwy 121, and Interstate Hwy 635, intersect in the heart of Grapevine, providing excellent access to Dallas, Fort Worth and the area shopping, entertainment and employment centers. The City is located in Northeast Tarrant County and is home to the Dallas/Fort Worth International Airport. Two-thirds of the airport, including all terminal buildings, is located within Grapevine city limits. The City is approximately 35 square miles and based on the 2010 Census serves a population of 47,000.

Local Economy

During FY 2014, Grapevine continued to experience economic growth with advantages that include superior access to major highways, its proximity to DFW International Airport, a large existing tourist industry and a stable political climate. DFW International Airport is the largest employer in Grapevine with more than half of the total employment base. Other local economic indicators for Grapevine included an unemployment rate of 4.6%; personal income per capita slightly increased over the past several fiscal years; and 425 certificates of occupancy were issued compared to 379 in FY 2013.

The overall sales tax receipts for FY 2014 were \$52,019,784 which equated to a modest 6.1% increase, while collections for FY 2013 were \$49,046,598 representing a 4.5% increase, thus reflecting steady growth. The City's hotel and occupancy tax receipts for FY 2014 were \$14,025,119 which equated to a modest 9.8% increase, while collections for FY 2013 were \$12,772,218 representing a 3.6% increase. These results indicate that the overall local economy has improved and we continue to recover from the recession.

The City has overcome road construction challenges during the past several fiscal years. Work continues on the SH 121 "Section 13" project and the FM 2499 project in Northeast Grapevine with a combined cost of \$184 million. The Section 13 project doubles the current capacity of SH 121 in NE Grapevine and provides an improved connection between the DFW Connector project and the Sam Rayburn Toll Road. The FM 2499 project constructs new depressed main lanes from SH 121 to Denton Creek. These main lanes will no longer pass through the "at grade" signalized intersections with Stars and Stripes Way and Grapevine Mills Boulevard North. New service roads will be constructed to provide access to abutting properties and to connect with the two signalized intersections with anticipated completion dates of Fall 2016 for the FM 2499 project and Spring 2017 for SH 121.

Long-term Financial Planning

The City Council establishes their long term financial goals each year as a part of the budgeting process. The long-range financial forecasting is not intended to be a budget, or a proposed plan. Instead, it sets the stage for the budget process, assisting both the Council and staff in establishing priorities and allocating resources appropriately. For FY 2014, the Council continued with the following goals:

- (1) Maintain financial stability and strong fiscal management
- (2) Sustain existing programs at high service levels
- (3) Provide a safe and secure community
- (4) Address future transportation needs
- (5) Continue to enhance tourism development
- (6) Invest in “Quality of Life” capital projects

The established goals of the Council for the long-term are a continuation of the goals set in fiscal year 2007. The three goals established by the Council were: 1) long-range financial health of the General Fund, 2) improve the employee compensation plan, and 3) stabilize the City’s economic base. The long-range financial forecast is based on assumptions regarding the regional and state economy over the next several years. In meeting the goal to provide a safe and secure community, the Police responded to 44,266 calls for service while Fire responded to 5,101 calls for service and 3,614 ambulance runs.

Grapevine continued to maintain financial stability and strong fiscal management for FY 2014. The General, Debt Service, Utility Enterprise, and Stormwater Drainage Funds ended the fiscal year with fund balances that meet or exceed their requirement. The City also maintained existing services and transferred from the General Fund \$3,000,000 to the Quality of Life CIP Fund; \$1,000,000 to the Special Revenue – Crime District; \$2,809,000 to Permanent Capital Maintenance Fund; \$1,676,000 to the Capital Equipment Fund; and finally \$1,000,000 to the 4B Economic Development Fund. The City also transferred \$2,000,000 from the 4B Capital Improvement Fund and \$1,000,000 from the TIF Capital Projects Fund into the 4B Economic Development Fund.

Major Economic Initiatives and Community Development

Grapevine continues to experience strong construction growth. In FY 2014, construction values exceeded \$154 million, compared to \$133 million in FY 2013 and significantly above the previous 5 year average of \$117 million. The largest category in this fiscal year was new construction for Single Family Residential, which accounted for approximately 80% of the construction value. There are 5 major subdivisions with over 270 single family lots currently approved for development with many of these subdivisions and lots already having homes under construction and/or completed. The following are some of the other major community development projects and economic initiatives that occurred or continued during FY 2014.

Several major commercial community projects completed in FY 2014 included the Marriott Courtyard/Town Place Suites Hotel with 301 guest rooms including a full service restaurant and 17,000 square feet of meeting space which opened in December 2013. There were several completed multi-family residential properties that include The Enclave Apartments, which is a 243 unit complex located just west of Grapevine Mills Mall and the Grapevine Station Lofts, a 274 unit complex located on Texan Trail. Several entertainment/attraction venues were completed in FY 2014 which included the Great Wolf Lodge Ropes Course and the Merlin LegoLand Splash Park.

Other commercial community development continues with The Gallery on Main, a 45,948 square foot commercial building that is located at the southeast corner of Main Street and East Northwest Highway. Cotton Patch restaurant will be located on the first floor along with additional retail and office uses for the second floor. The Gallery on Main is scheduled to open or at least partially open between December 2014 and February 2015. Another construction project is the Gatehouse Shelter, a 28 building residential project located at Stone Myers and Westport Parkway.

Two new wineries and a brewery were also under construction in FY 2014. Sloan and Williams opened in August 2014 and are located one block east on Texas Street. Messina Hof is completing their construction and remodeling within the historic building located at 415 S. Main Street and was partially opened in December 2014. Finally, the Grapevine Craft Brewery broke ground on a 10,000 sq ft craft brewery located at the corner of Jean Street and Dallas Road.

Another major renovation phased project is the Grapevine Mills Mall which is under construction and the first phase of renovation is expected to be completed by November 2015. Grapevine Mills Mall remains a strong economic engine for Grapevine, continuing to average close to 15 million visitors per year while representing nearly 60% of the city's retail footprint. Retail store upgrades continue as the mall began work on the first phase \$11 million of an eventual \$40 million interior remodel of the facility. A new and more powerful tenant mix strategy continued during 2014 to deliver new tenants that included Vera Bradley, Steve Madden, Van Husen, The Buckle, Adidas, Express, Torrid, O'Neill, Francesca's and other fashion and power tenants. A previous mix of new tenants included Michael Kors, Kenneth Cole, Puma, Coach Nike, Under Armor and others. The mall also continued to gain positive benefits as Legoland completed their second expansion project in August of 2014 by adding a pirate themed splash and play park on the exterior north end of the mall building.

In FY 2014, the City purchased approximately 185 acres of prime development land in northeast Grapevine. The City hired HRA, a Los Angeles planning firm to complete a market feasibility study/master plan as a next step in getting the land ready for development. The first study began in October and by the end of December 2014, the City had completed two of the four critical workshops that focused on visioning and market conditions as part of the planning process. The planning process is expected to wrap up in spring 2015 with an approved go to market strategy for the property. Interest in the area remains high and the City has already been approached by several private companies who may be possible tenants for the project.

Staff continues to work on the two new General Obligation (GO) bond projects that were approved by citizens in November 2012. The first project is the multigenerational Community Activities Center (CAC) facility expansion that adds an additional 16,000sq ft. to the existing building. The Park & Recreation staff continues to work with the architect and construction firm on the renovation and expansion project that includes an indoor track, workout and classrooms, lounge area, aquatics and a senior center and is expected to be completed in spring FY 2015. Land was acquired on Dallas Road for the new Public Safety Building and staff continues to work on the design phase of the new facility that will house Police, Court, IT and Fire Administration and will replace their existing facility. The facility planning continues and construction is expected to begin in late spring of FY 2015.

Convention Visitors Bureau (CVB) continues to promote and market destination Grapevine and all the community events. Grapevine is recognized nationally as a tourism and recreation destination. The Grapevine Shuttle provides local transportation of visitors from DFW Airport and Grapevine hotels to the historic downtown area, restaurants, and retail establishments. The Ice House construction was completed November 2014 and contains the Grapevine Historical Society's museum. The Wallis Building Remodeling began for the Messina Hof Winery in August 2014 and will house the largest wine producer in Texas. The Messina Hof Winery is located at the northeast corner of Main Street and Texas Street and funding for the remodel was provided by the CVB.

Awards and Acknowledgements

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City Charter specifies that independent accountants selected by the City Council conduct such audits. Pattillo, Brown & Hill, LLP was selected by the City Council to conduct this year's audit. The independent auditor's report on the basic financial statements is included in the financial section of this report.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2013. This was the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire finance and utility division staff. We would also like to express our appreciation to other City department staff that provided information and contributed to the preparation of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

Respectfully submitted,

Karen L Walker

Karen L. Walker
Managing Director of Financial Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

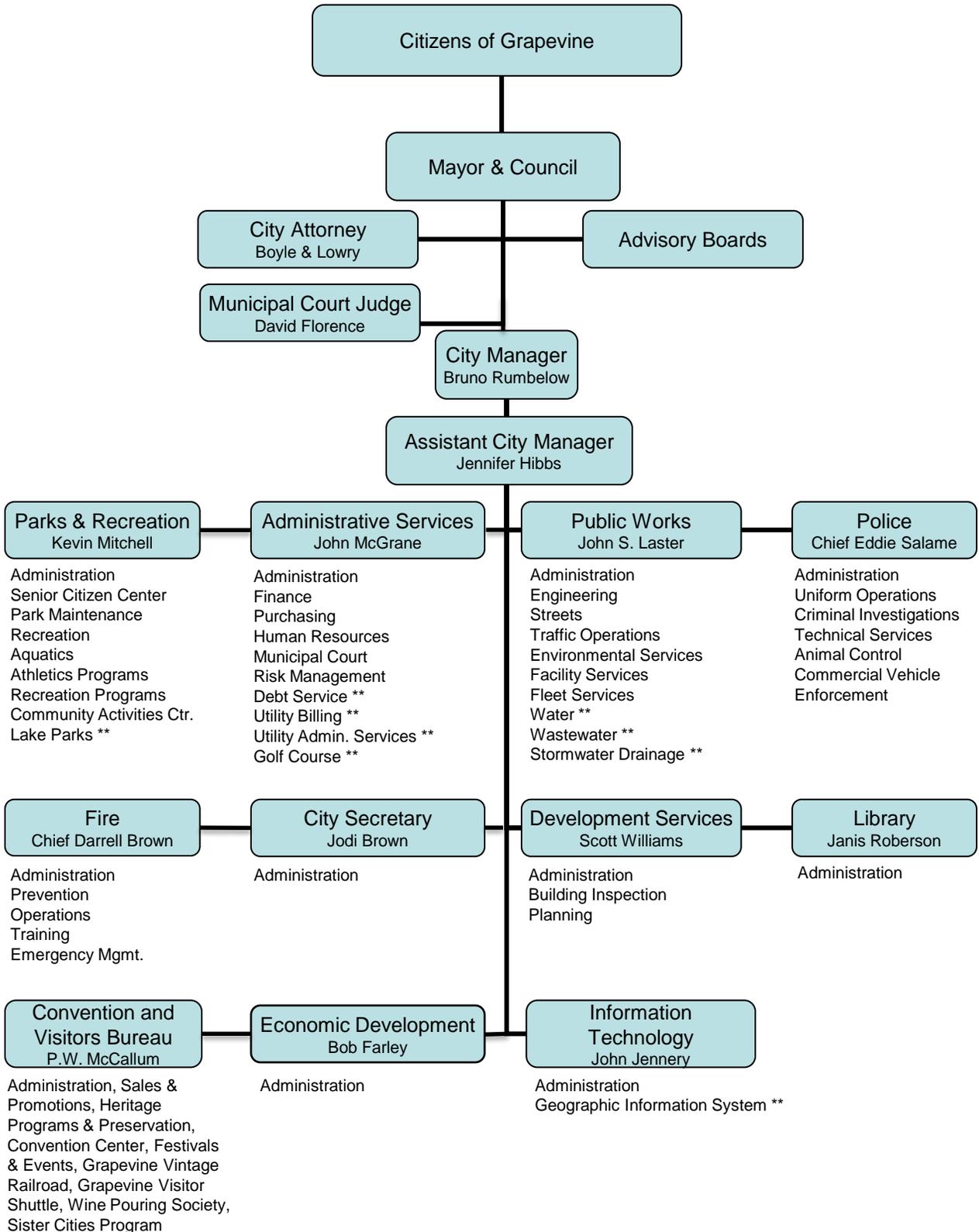
**City of Grapevine
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

City of Grapevine Organization Chart



CITY OF GRAPEVINE, TEXAS

ADMINISTRATIVE OFFICIALS

Bruno Rumbelow
City Manager

Jennifer Hibbs
Assistant City Manager

Jodi Brown
City Secretary

John F. Boyle, Jr.
City Attorney

David Florence
Municipal Court Judge

Greg Jordan
Chief Financial Officer

Stan Laster
Director of Public Works

Scott Williams
Director of Development Services

Darrell Brown
Fire Chief

Edward Salame
Chief of Police

Janis Roberson
Library Director

Kevin Mitchell
Director of Parks and Recreation

Russell E. Pulley
Director of Golf

P. W. McCallum
Executive Director, Convention & Visitors Bureau

Carolyn Van Duzee
Human Resources Director

Karen L. Walker
Managing Director of Financial Services

Robert Smeby
Purchasing Agent

Gary W. Livingston
Management Services Director

FINANCIAL SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Grapevine, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Hotel Occupancy Tax Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual— Crime District Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual— 4B-Economic Development Fund, the Schedule of Funding Progress for Participation in the Texas Municipal Retirement System, and the Schedule of Funding Progress – Post-Retirement Health Care Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grapevine, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State of Texas Uniform Grant Management Standards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015, on our consideration of the City of Grapevine, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grapevine, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 10, 2015

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of the City of Grapevine (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$295,630,804 (net position). Of this amount, \$1,442,971 of (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,317,916 or 28% of total General Fund expenditures.
- The City transferred \$3,000,000 to the Quality of Life CIP Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, public works, transportation, and economic development. The business-type activities of the City include water and sewer and the golf course.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Heritage Foundation, the Tax Reinvestment Zones Numbers One and Two, the Crime Control and Protection District (Crime District), and the Grapevine 4B Economic Development Corporation, which are legally separate entities. A blended presentation has been used to report the financial information for all of the component units except for the Heritage Foundation. The Crime District was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. The Heritage Foundation is a discretely presented component unit and is presented as a separate column in the government-wide financial statements.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements for governmental funds, proprietary funds, and fiduciary funds can be found in the financial section of this report.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue Fund—Hotel Occupancy Tax, Special Revenue Fund—Crime District, Special Revenue Fund—4B – Economic Development Fund, Debt Service Fund, Debt Service Fund—Tax Reinvestment Zone Number One (TIF #1), Capital Projects Fund – Parks Open Space and Recreation, Capital Projects Fund – Streets, and Capital Projects Fund – General Facilities and Equipment, all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds — There are two types of Proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Lake Enterprise. The City has no Internal Service Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Lake Enterprise Fund (golf course), which are both major funds.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. Agency Funds are one of the City’s fiduciary fund types. The agency funds account for funds held in an agency capacity for the Industrial Development Corporation, the Police Department entitled “Police Department Case Settlement” and the W.D. Tate Scholarship. The second type of fiduciary fund is the Grapevine Health Reimbursement Account (HRA), a trust fund. See Note 1 for additional information pertaining to fiduciary funds.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of the City’s Financial Position —

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of September 30, 2014, the City’s assets and deferred outflows of resources exceeded liabilities by \$295,630,804.

The largest portion of the City’s net position (\$217,264,020) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position represents resources that are subject to external restrictions on how they may be used. Restricted net position are for (1) use of impact fees for construction purposes \$2,612,102, (2) debt service \$20,985,426, (3) capital projects \$4,849,592, (4) public safety \$1,288,317, (5) economic development \$40,136,694, (6) transportation \$459,260, (7) culture and recreation \$48,034, and (8) tourism \$6,544,388. Unrestricted net position of \$1,442,971 may be used to meet the City’s ongoing obligations to citizens and creditors.

For fiscal year-end 2014, the City is able to report positive balances in all three categories of net position for the City as a whole. The same situation held true for the prior fiscal year.

Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 191,870,267	\$ 210,642,273	\$ 21,314,845	\$ 23,434,972	\$ 213,185,112	\$ 234,077,245
Capital assets	217,856,048	173,615,291	87,042,438	83,302,218	304,898,486	256,917,509
Total assets	409,726,315	384,257,564	108,357,283	106,737,190	518,083,598	490,994,754
Deferred outflows of resources	2,504,740	2,870,991	362,059	449,122	2,866,799	3,320,113
Long-term liabilities	190,873,273	181,515,053	12,185,370	13,674,480	203,058,643	195,189,533
Other liabilities	17,801,392	16,595,350	4,459,558	3,818,832	22,260,950	20,414,182
Total liabilities	208,674,665	198,110,403	16,644,928	17,493,312	225,319,593	215,603,715
Net position:						
Net investment in capital assets	139,391,718	114,211,529	77,872,302	74,749,622	217,264,020	188,961,151
Restricted	74,311,711	78,376,838	2,612,102	8,031,864	76,923,813	86,408,702
Unrestricted	(10,147,039)	(3,570,215)	11,590,010	6,911,514	1,442,971	3,341,299
Total net position	\$ 203,556,390	\$ 189,018,152	\$ 92,074,414	\$ 89,693,000	\$ 295,630,804	\$ 278,711,152

Analysis of the City's operations—

Governmental activities – Governmental activities increased the City's net position by \$15,658,159. Significant reasons for this increase are as follows:

Overall total revenues for fiscal year 2014 were 5.5% higher than the previous fiscal year and the City experienced increases in several categories of revenue. The largest of the revenue increases came from sales and hotel occupancy taxes. The City's operating expenses for 2014 increased by \$5,311,058 or 5.1% and those increased expenses were primarily attributed to public safety, cultural and recreation, public works and transportation. The City also experienced a significant change in both our total assets and long-term liabilities which were primarily due to the issuance of \$19,500,000 of 4B Economic Development Corporation Sales Tax Revenue Bonds and the continued spending of the 2012 GO bond proceeds for the Community Activities Center's Renovation (The REC) and the design and engineering of the new Public Safety Building.

Business-type activities – Business-type activities increased the City's net position by \$2,517,498. The increase is primarily due to the increase in charges for services and several capital projects that were completed during the year. The Utilities Fund had several capital projects either started or completed during the fiscal year and they included the Wastewater Treatment Plant Filters, the Head Works project, the Dove Water Tower's repairs, the SH 121 water and sewer relocations and other waterline improvements. The Lake Enterprise Fund (Golf) completed their lighted driving range capital project.

The following table provides a summary of the City's operations for the year ended September 30, 2014, and 2013.

CITY OF GRAPEVINE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 18,136,682	\$ 17,481,667	\$ 26,684,826	\$ 23,304,719	\$ 44,821,508	\$ 40,786,386
Operating grants and contributions	275,370	525,816	-	-	275,370	525,816
Capital grants and contributions	203,010	108,225	-	-	203,010	108,225
General revenues:						
Property taxes	30,916,843	29,978,735	-	-	30,916,843	29,978,735
Hotel occupancy taxes	14,025,119	12,772,218	-	-	14,025,119	12,772,218
Sales taxes	52,019,784	49,046,598	-	-	52,019,784	49,046,598
Mixed beverage taxes	1,566,664	1,158,625	-	-	1,566,664	1,158,625
Franchise taxes	6,785,150	6,618,333	-	-	6,785,150	6,618,333
Investment earnings	119,696	159,146	20,223	151,639	139,919	310,785
Miscellaneous	22,504	6,000	-	-	22,504	6,000
Gain on sale of capital assets	262,068	-	-	-	262,068	-
Total revenues	<u>124,332,890</u>	<u>117,855,363</u>	<u>26,705,049</u>	<u>23,456,358</u>	<u>151,037,939</u>	<u>141,311,721</u>
Expenses:						
General government	16,347,850	18,601,720	-	-	16,347,850	18,601,720
Public safety	30,039,062	28,309,203	-	-	30,039,062	28,309,203
Culture and recreation	31,549,305	29,578,167	-	-	31,549,305	29,578,167
Public works	13,689,454	12,216,082	-	-	13,689,454	12,216,082
Transportation	11,275,274	8,619,843	-	-	11,275,274	8,619,843
Economic development	1,405,250	3,608,828	-	-	1,405,250	3,608,828
Interest on long-term debt	6,029,291	4,094,640	-	-	6,029,291	4,094,640
Water and sewer	-	-	19,762,999	18,806,917	19,762,999	18,806,917
Lake enterprise	-	-	2,763,797	3,155,905	2,763,797	3,155,905
Total expenses	<u>110,335,486</u>	<u>105,028,483</u>	<u>22,526,796</u>	<u>21,962,822</u>	<u>132,862,282</u>	<u>126,991,305</u>
Increases in net position before transfers	13,997,404	12,826,880	4,178,253	1,493,536	18,175,657	14,320,416
Transfers	<u>1,660,755</u>	<u>1,470,620</u>	<u>(1,660,755)</u>	<u>(1,470,620)</u>	-	-
Change in net position	15,658,159	14,297,500	2,517,498	22,916	18,175,657	14,320,416
Net position, beginning	<u>189,018,152</u>	<u>174,720,652</u>	<u>89,693,000</u>	<u>89,670,084</u>	<u>278,711,152</u>	<u>264,390,736</u>
Change in accounting principles	<u>(1,119,921)</u>	<u>-</u>	<u>(136,084)</u>	<u>-</u>	<u>(1,256,005)</u>	<u>-</u>
Net position, beginning, as restated	<u>187,898,231</u>	<u>174,720,652</u>	<u>89,556,916</u>	<u>89,670,084</u>	<u>277,455,147</u>	<u>264,390,736</u>
Net position, ending	<u>\$ 203,556,390</u>	<u>\$ 189,018,152</u>	<u>\$ 92,074,414</u>	<u>\$ 89,693,000</u>	<u>\$ 295,630,804</u>	<u>\$ 278,711,152</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds – As of the end of the current fiscal year, the City of Grapevine's governmental funds reported combined ending fund balances of \$174,335,973, a decrease of \$16,044,638 compared with the prior year. Unassigned fund balance is \$11,195,178 (6%), which is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it has already been (1) classified as nonspendable \$638,526 (2) restricted for debt service, capital projects, public safety, economic development, transportation, tourism, and culture and recreation programs \$144,840,853 (3) committed for stormwater drainage and public arts \$1,830,781 (4) or assigned for economic development, capital projects and culture and recreation programs \$15,830,635.

Significant changes in fund balances of major funds are as follows:

General Fund – The fund balance increased \$956,550 for FY 2014. Every year the General Fund makes transfers to other and this year some of those transfers included \$3,000,000 to the Quality of Life (non-major fund) for capital projects designated by the City Council; \$1,000,000 to the Crime District (CCPD); and \$2,809,000 to the Street Maintenance and Capital Replacement Fund. The changes in the general fund balance were also impacted by the increase in revenues and increased operating costs. This fiscal year the City experienced an increase in sales, franchise and mixed beverage taxes which attributed to the majority of the total General Fund revenue increase of \$2,218,850. Overall operating expenditures increased from the previous year by \$2,869,949 as the City continues to provide quality programs, public safety and other services for the City’s residents and visitors.

Special Revenue – Hotel Occupancy Tax Fund – Fund balance increased in the Hotel Occupancy Tax Fund by \$1,297,038, which was primarily due to an increase in revenues of \$1,678,125.

Special Revenue – Crime District Fund – The Crime District Fund experienced an increase in sales tax revenues of \$672,114; however, operating expenditures also increased by \$171,525 with the final fund balance increasing by \$198,805 from the previous fiscal year. The General Fund transferred a net \$1,000,000 to the Crime District Fund in FY 2014 and the ending fund balance for FY 2014 was \$612,969.

Special Revenue – 4B – Economic Development – The 4B fund balance decreased by \$5,408,863 over last fiscal year. This decrease was primarily attributed to the purchase of a large parcel of land for economic development in northeast Grapevine.

Debt Service Fund – This fund has a total fund balance of \$16,920,164 which is restricted for the payment of debt service. The \$800,749 increase in fund balance was attributed to property tax revenue collections and the restructuring and refunding of previously issued debt.

Debt Service Fund – TIF #1 – The Debt Service had a total fund balance of \$36,316,346. The \$3,691,781 increase in fund balance was primarily attributed to the increase in property tax collections for 2014.

Capital Projects – Parks Open Space and Recreation – The Parks Open Space and Recreation capital projects fund had an ending fund balance of \$17,278,790. This is a decrease of \$11,250,078 compared to the prior year. The decrease in fund balance is primarily due to the City spending the 2012 GO bonds on the CAC expansion project (The REC) as well as work on the retaining wall and water play features at Pleasant Glade Pool.

Capital Projects – Streets – The Streets capital projects fund had an ending fund balance of \$6,543,357. This is a decrease of \$1,556,982 over the prior year. The decrease in fund balance is due to funds being spent on several street capital outlay projects. Several of these projects included work on Kimball, Hudgins, SH 121 and the DFW Connector project.

Capital Projects – General Facilities and Equipment – The General Facilities and Equipment capital projects fund had an ending fund balance of \$37,688,959. This is a decrease of \$3,705,021 compared to the prior year. The decrease in fund balance was primarily due to the City spending the previously issued 2012 GO bond proceeds on the land purchase and design of the new public safety facility.

Proprietary Funds –

The City of Grapevine’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Grapevine’s business-type activities.

General Fund Budgetary Highlights

Significant amendment changes:

The General Fund transferred out \$9,513,014 to several funds including the Capital Equipment Fund, the General Facilities Fund, the Quality of Life Fund, the 4B Economic Development Fund and the Special Revenue Fund – Crime District (CCPD). Overall, the operating expenditures for the General Fund increased from the previous year primarily due to the adopted salary increases, professional services, apparatus and tools, and utilities. The Cultural and Recreation expenditure budget increased this year primarily due to the increased participant demand in athletic and recreation programs, aquatics and grounds maintenance.

Significant budget variances:

For the year ended September 30, 2014, revenues did exceed the final budget in the General Fund due to tax receipts being greater than anticipated and overall expenditures were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Major capital asset events during the current fiscal year included the following amounts:

During fiscal year 2014, the City incurred \$11,698,400 in capital expenses related to the design and construction of the CAC expansion project (The REC). These expenses included approximately \$1,196,000 in design effort, \$10,402,000 during the construction phase which included work on the indoor playground of about \$100,000. The REC facility is expected to open in late spring of 2015 and will be a multigenerational facility.

The City continues with the design phase of the new Public Safety Building, incurring \$890,000 in costs to develop this technologically advanced building that will house the City’s police, fire administration, municipal court, detention facilities and the IT department staff.

The City also completed several Quality of Life projects this year. Some of these projects included Oak Grove Park lighting upgrades to several of the softball and soccer fields; the installation of the Meadowmere Park Soccer Complex restroom facility; installation of playground equipment at both the Lakeview Park and the GRACE facility, two areas which did not have facilities to serve area residents. Finally, the completion of the Phase III Emergency Vehicle Signal Preemption project that utilizes GPS tracking and short-range radio communications to allow an emergency vehicle to automatically request preemption of one or more downstream traffic signals.

Capital assets—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounted to \$304,898,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangible assets and construction in progress. The total net increase in the City’s investment in capital assets for the current fiscal year was \$47,980,977.

CITY OF GRAPEVINE’S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 81,146,195	\$ 47,821,876	\$ 1,643,545	\$ 1,643,545	\$ 82,789,740	\$ 49,465,421
Construction in progress	20,858,378	6,027,159	403,861	219,754	21,262,239	6,246,913
Buildings	32,561,731	32,639,182	755,836	797,805	33,317,567	33,436,987
Improvements other than buildings	21,233,130	21,141,304	1,642,198	1,879,385	22,875,328	23,020,689
Machinery and equipment	14,319,565	13,893,188	1,529,869	1,239,773	15,849,434	15,132,961
Water storage rights	-	-	112,505	129,594	112,505	129,594
Infrastructure	47,737,049	52,092,582	80,954,624	77,392,362	128,691,673	129,484,944
Total	\$ 217,856,048	\$ 173,615,291	\$ 87,042,438	\$ 83,302,218	\$ 304,898,486	\$ 256,917,509

Additional information on the City’s capital assets can be found in Note 5 in the notes to the financial statements.

Long-term debt—At the end of the current fiscal year, the City had total bonded debt outstanding of \$176,975,856. Of this amount, \$157,475,856 comprises debt backed by the full faith and credit of the City.

CITY OF GRAPEVINE’S OUTSTANDING BONDS AND NOTES PAYABLE AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 96,655,000	\$ 102,692,840	\$ 9,095,000	\$ 10,845,000	\$ 105,750,000	\$ 113,537,840
Certificates of obligation	41,032,182	45,658,918	-	-	41,032,182	45,658,918
Revenue bonds	19,500,000	-	-	-	19,500,000	-
Notes payable	4,471,049	6,296,518	-	-	4,471,049	6,296,518
Premium on bonds issued	5,762,011	6,399,166	460,614	566,348	6,222,625	6,965,514
	<u>\$ 167,420,242</u>	<u>\$ 161,047,442</u>	<u>\$ 9,555,614</u>	<u>\$ 11,411,348</u>	<u>\$ 176,975,856</u>	<u>\$ 172,458,790</u>

Additional information on the City’s long-term debt can be found in Note 8 of the notes to the financial statements.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City’s finances. If you have questions about this report or need additional information, contact the Finance Division, City of Grapevine, 200 S. Main Street, Grapevine, Texas 76051.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF GRAPEVINE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Heritage Foundation
ASSETS				
Cash and investments	\$ 177,668,455	\$ 14,288,006	\$ 191,956,461	\$ 522,382
Receivables, net				
Taxes	10,581,052	-	10,581,052	-
Accounts	2,144,042	3,002,797	5,146,839	-
Pledges	-	-	-	50,047
Internal balances	799,462	(799,462)	-	-
Due from primary government	-	-	-	526
Due from other governments	31,056	1,127,974	1,159,030	-
Inventory	481,699	40,527	522,226	-
Accrued interest	7,674	1,377	9,051	31
Prepaid expenses	156,827	20,724	177,551	-
Restricted assets:				
Cash and investments	-	3,632,902	3,632,902	-
Capital assets (net of accumulated depreciation)				
Non-depreciable	102,004,573	2,047,406	104,051,979	450,067
Depreciable	115,851,475	84,995,032	200,846,507	1,025,663
Total assets	<u>409,726,315</u>	<u>108,357,283</u>	<u>518,083,598</u>	<u>2,048,716</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	2,504,740	362,059	2,866,799	-
Total deferred outflows of resources	<u>2,504,740</u>	<u>362,059</u>	<u>2,866,799</u>	<u>-</u>
LIABILITIES				
Accounts payable	10,059,040	2,641,109	12,700,149	20,839
Contracts and retainage payable	615,087	302,402	917,489	-
Accrued and other liabilities	1,976,595	242,637	2,219,232	-
Developer deposits	2,014,488	-	2,014,488	-
Interest payable	853,180	46,691	899,871	-
Due to component unit	526	-	526	-
Unearned revenue	2,282,476	297,902	2,580,378	-
Customer deposits	-	928,817	928,817	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences	756,916	55,737	812,653	-
Notes payable	1,400,342	-	1,400,342	-
Bonds payable	12,708,386	1,830,000	14,538,386	-
Sales tax obligation	173,556	-	173,556	-
Due in more than one year:				
Compensated absences	2,270,749	157,584	2,428,333	-
Notes payable	3,070,707	-	3,070,707	-
Bonds payable	150,240,807	7,725,614	157,966,421	-
Sales tax obligation	598,691	-	598,691	-
Net OPEB obligation	14,339,463	1,840,201	16,179,664	-
Net pension obligation	5,313,656	576,234	5,889,890	-
Total liabilities	<u>208,674,665</u>	<u>16,644,928</u>	<u>225,319,593</u>	<u>20,839</u>
NET POSITION				
Net investment in capital assets	139,391,718	77,872,302	217,264,020	1,475,730
Restricted for:				
Use of impact fees	-	2,612,102	2,612,102	-
Debt service	20,985,426	-	20,985,426	-
Capital projects	4,849,592	-	4,849,592	-
Public safety	1,288,317	-	1,288,317	-
Economic development	40,136,694	-	40,136,694	-
Transportation	459,260	-	459,260	-
Culture and recreation	48,034	-	48,034	-
Tourism	6,544,388	-	6,544,388	-
Unrestricted	(10,147,039)	11,590,010	1,442,971	552,147
Total net position	<u>\$ 203,556,390</u>	<u>\$ 92,074,414</u>	<u>\$ 295,630,804</u>	<u>\$ 2,027,877</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,347,850	\$ 1,991,906	\$ 40,686	\$ -
Public safety	30,039,062	4,109,435	227,827	-
Culture and recreation	31,549,305	10,531,189	6,857	46,112
Public works	13,689,454	1,504,152	-	156,898
Transportation	11,275,274	-	-	-
Economic development	1,405,250	-	-	-
Interest on long-term debt	6,029,291	-	-	-
Total governmental activities	<u>110,335,486</u>	<u>18,136,682</u>	<u>275,370</u>	<u>203,010</u>
Business-type activities:				
Water and sewer	19,762,999	23,667,335	-	-
Lake Enterprise	2,763,797	3,017,491	-	-
Total business-type activities	<u>22,526,796</u>	<u>26,684,826</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 132,862,282</u>	<u>\$ 44,821,508</u>	<u>\$ 275,370</u>	<u>\$ 203,010</u>
Component unit:				
Heritage Foundation	<u>\$ 153,285</u>	<u>\$ 6,414</u>	<u>\$ 42,773</u>	<u>\$ 24,442</u>

General revenues:

Taxes:

Property

Franchise

Hotel occupancy

Sales

Mixed beverage

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

 Total general revenues and transfers

Change in net position

Net position - beginning

Change in accounting principles

Net assets - beginning, as restated

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			Component
Primary Government			Unit
Governmental Activities	Business-type Activities	Total	Heritage Foundation
\$(14,315,258)	\$ -	\$(14,315,258)	\$ -
(25,701,800)	-	(25,701,800)	-
(20,965,147)	-	(20,965,147)	-
(12,028,404)	-	(12,028,404)	-
(11,275,274)	-	(11,275,274)	-
(1,405,250)	-	(1,405,250)	-
(6,029,291)	-	(6,029,291)	-
<u>(91,720,424)</u>	<u>-</u>	<u>(91,720,424)</u>	<u>-</u>
-	3,904,336	3,904,336	-
-	253,694	253,694	-
<u>-</u>	<u>4,158,030</u>	<u>4,158,030</u>	<u>-</u>
(91,720,424)	4,158,030	(87,562,394)	-
			<u>(79,656)</u>
30,916,843	-	30,916,843	-
6,785,150	-	6,785,150	-
14,025,119	-	14,025,119	-
52,019,784	-	52,019,784	-
1,566,664	-	1,566,664	-
119,696	20,223	139,919	230
262,068	-	262,068	-
22,504	-	22,504	7,587
<u>1,660,755</u>	<u>(1,660,755)</u>	<u>-</u>	<u>-</u>
<u>107,378,583</u>	<u>(1,640,532)</u>	<u>105,738,051</u>	<u>7,817</u>
15,658,159	2,517,498	18,175,657	(71,839)
<u>189,018,152</u>	<u>89,693,000</u>	<u>278,711,152</u>	<u>2,099,716</u>
<u>(1,119,921)</u>	<u>(136,084)</u>	<u>(1,256,005)</u>	<u>-</u>
187,898,231	89,556,916	277,455,147	2,099,716
<u>\$ 203,556,390</u>	<u>\$ 92,074,414</u>	<u>\$ 295,630,804</u>	<u>\$ 2,027,877</u>

CITY OF GRAPEVINE, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	Debt Service
ASSETS					
Cash and investments	\$ 9,861,386	\$ 8,043,266	\$ 6,001	\$ 9,692,325	\$ 16,916,592
Receivables (net of allowances for uncollectibles)					
Accounts	1,887,321	70,998	3,150	4,000	-
Taxes	4,978,627	1,109,481	2,148,365	651,488	124,367
Accrued interest	674	1,123	-	592	1,022
Inventory	466,263	1,074	-	-	-
Due from other funds	2,424,510	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	134,051	22,776	-	-	-
	<u>\$ 19,752,832</u>	<u>\$ 9,248,718</u>	<u>\$ 2,157,516</u>	<u>\$ 10,348,405</u>	<u>\$ 17,041,981</u>
Total assets					
LIABILITIES					
Accounts payable	\$ 2,595,961	\$ 2,284,945	\$ 273,275	\$ 6,195	\$ -
Accrued liabilities	1,459,398	139,163	344,956	8,687	-
Due to other funds	874	-	926,316	-	-
Due to component unit	-	526	-	-	-
Unearned revenue	1,724,742	255,846	-	-	-
Developer deposits	-	-	-	-	-
	<u>5,780,975</u>	<u>2,680,480</u>	<u>1,544,547</u>	<u>14,882</u>	<u>-</u>
Total liabilities					
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,053,627	-	-	-	121,817
	<u>1,053,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,817</u>
Total deferred inflows of resources					
FUND BALANCES (DEFICITS)					
Nonspendable:					
Inventory	466,263	1,074	-	-	-
Prepaid items	134,051	22,776	-	-	-
Restricted for:					
Debt service	-	-	-	-	16,920,164
Capital projects	-	-	-	-	-
Public safety	-	-	612,969	-	-
Economic development	-	-	-	8,616,973	-
Transportation	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Tourism	-	6,544,388	-	-	-
Committed for:					
Stormwater drainage operations	-	-	-	-	-
Public arts	-	-	-	-	-
Assigned for:					
Economic development	-	-	-	1,716,550	-
Capital projects	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Unassigned	12,317,916	-	-	-	-
	<u>12,918,230</u>	<u>6,568,238</u>	<u>612,969</u>	<u>10,333,523</u>	<u>16,920,164</u>
Total fund balances					
	<u>\$ 19,752,832</u>	<u>\$ 9,248,718</u>	<u>\$ 2,157,516</u>	<u>\$ 10,348,405</u>	<u>\$ 17,041,981</u>
Total liabilities, deferred inflows of resources and fund balances					

The accompanying notes are an integral part of these financial statements.

Debt Service	Capital Projects				Nonmajor Governmental Funds	Total Governmental Funds
	TIF #1	Parks Open Space and Recreation	Streets	General Facilities and Equipment		
\$ 36,313,584	\$ 19,637,003	\$ 9,037,206	\$ 37,712,747	\$ 30,448,345	\$ 177,668,455	
-	-	-	-	178,573	2,144,042	
567	-	-	-	1,568,157	10,581,052	
2,195	17	345	137	1,569	7,674	
-	-	-	-	14,362	481,699	
-	-	-	865	-	2,425,375	
-	-	4,400	-	26,656	31,056	
-	-	-	-	-	156,827	
<u>\$ 36,316,346</u>	<u>\$ 19,637,020</u>	<u>\$ 9,041,951</u>	<u>\$ 37,713,749</u>	<u>\$ 32,237,662</u>	<u>\$ 193,496,180</u>	
\$ -	\$ 2,066,924	\$ 771,012	\$ 24,790	\$ 2,035,938	\$ 10,059,040	
-	-	-	-	24,391	1,976,595	
-	-	-	-	698,723	1,625,913	
-	-	-	-	-	526	
-	-	-	-	301,888	2,282,476	
-	291,306	1,723,182	-	-	2,014,488	
-	2,358,230	2,494,194	24,790	3,060,940	17,959,038	
-	-	4,400	-	21,325	1,201,169	
-	-	4,400	-	21,325	1,201,169	
-	-	-	-	14,362	481,699	
-	-	-	-	-	156,827	
4,796,625	-	-	-	6,517,044	28,233,833	
-	17,278,790	6,543,357	37,688,959	6,619,221	68,130,327	
-	-	-	-	675,348	1,288,317	
31,519,721	-	-	-	-	40,136,694	
-	-	-	-	459,260	459,260	
-	-	-	-	48,034	48,034	
-	-	-	-	-	6,544,388	
-	-	-	-	989,729	989,729	
-	-	-	-	841,052	841,052	
-	-	-	-	-	1,716,550	
-	-	-	-	13,382,475	13,382,475	
-	-	-	-	731,610	731,610	
-	-	-	-	(1,122,738)	11,195,178	
<u>36,316,346</u>	<u>17,278,790</u>	<u>6,543,357</u>	<u>37,688,959</u>	<u>29,155,397</u>	<u>174,335,973</u>	
<u>\$ 36,316,346</u>	<u>\$ 19,637,020</u>	<u>\$ 9,041,951</u>	<u>\$ 37,713,749</u>	<u>\$ 32,237,662</u>	<u>\$ 193,496,180</u>	

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CITY OF GRAPEVINE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet		\$ 174,335,973
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		217,240,961
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.		1,201,169
Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds.		(853,180)
Long-term liabilities and deferred losses on bond refundings reported as deferred outflows of resources are not due and payable in the current period and therefore are not reported in the funds. A summary of these items are as follows:		
Long-term liabilities:		
Bonds payable	(162,949,193)	
Notes payable	(4,471,049)	
Compensated absences	(3,027,665)	
Sales tax obligation	(772,247)	
Net OPEB obligation	(14,339,463)	
Net pension obligation	(5,313,656)	
Deferred outflows of resources:		
Deferred losses on bond refundings	<u>2,504,740</u>	
		<u>(188,368,533)</u>
Net position of governmental activities		\$ <u>203,556,390</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue				
	General	Hotel Occupancy Tax	Crime District	4B-Economic Development	Debt Service
REVENUES					
Property tax	\$ 8,458,735	\$ -	\$ -	\$ -	\$ 11,775,218
Hotel occupancy tax	-	14,025,119	-	-	-
Sales tax	26,376,697	-	12,630,599	3,771,644	-
Mixed beverage tax	1,566,664	-	-	-	-
Franchise tax	6,785,150	-	-	-	-
Licenses and permits	1,337,367	-	-	-	-
Intergovernmental	78,982	-	-	-	-
Charges for services	3,504,683	6,435,935	-	-	-
Fines and forfeitures	2,362,434	-	-	-	-
Investment income	8,760	11,052	760	6,961	9,723
Contributions	-	-	-	-	-
Miscellaneous	394,009	125,143	1,642	-	-
Total revenues	<u>50,873,481</u>	<u>20,597,249</u>	<u>12,633,001</u>	<u>3,778,605</u>	<u>11,784,941</u>
EXPENDITURES					
Current:					
General government	15,081,043	-	-	91,819	-
Public safety	13,401,973	-	13,416,116	-	-
Culture and recreation	9,725,575	15,470,020	-	-	-
Public works	5,383,091	-	-	-	-
Economic development	-	-	-	117,919	-
Transportation	-	-	-	-	-
Capital outlay	106,780	37,400	18,080	29,498,663	-
Debt service:					
Principal	173,556	-	-	-	8,980,045
Interest and fiscal charges	-	-	-	442,689	4,708,525
Other	-	-	-	252,928	1,538
Total expenditures	<u>43,872,018</u>	<u>15,507,420</u>	<u>13,434,196</u>	<u>30,404,018</u>	<u>13,690,108</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7,001,463</u>	<u>5,089,829</u>	<u>(801,195)</u>	<u>(26,625,413)</u>	<u>(1,905,167)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,460,225	393,193	1,000,000	2,000,000	2,705,916
Transfers out	(9,513,014)	(4,185,984)	-	(283,450)	-
Sale of capital assets	7,876	-	-	-	-
Issuance of debt	-	-	-	19,500,000	-
Total other financing sources and uses	<u>(6,044,913)</u>	<u>(3,792,791)</u>	<u>1,000,000</u>	<u>21,216,550</u>	<u>2,705,916</u>
NET CHANGE IN FUND BALANCES	956,550	1,297,038	198,805	(5,408,863)	800,749
FUND BALANCES, BEGINNING	<u>11,961,680</u>	<u>5,271,200</u>	<u>414,164</u>	<u>15,742,386</u>	<u>16,119,415</u>
FUND BALANCES, ENDING	<u>\$ 12,918,230</u>	<u>\$ 6,568,238</u>	<u>\$ 612,969</u>	<u>\$ 10,333,523</u>	<u>\$ 16,920,164</u>

The accompanying notes are an integral part of these financial statements.

Debt Service		Capital Projects			Nonmajor Governmental Funds	Total Governmental Funds
TIF #1	Parks Open Space and Recreation	Streets	General Facilities and Equipment			
\$ 7,357,448	\$ -	\$ -	\$ -	\$ 5,878,139	\$ 33,469,540	
-	-	-	-	-	14,025,119	
-	-	-	-	9,240,844	52,019,784	
-	-	-	-	-	1,566,664	
-	-	-	-	-	6,785,150	
-	-	-	-	-	1,337,367	
-	-	225,131	-	125,660	429,773	
-	-	-	-	3,814,198	13,754,816	
-	-	-	-	50,088	2,412,522	
17,523	18,521	4,779	25,407	16,210	119,696	
-	-	-	-	168,568	168,568	
-	-	-	-	230,899	751,693	
<u>7,374,971</u>	<u>18,521</u>	<u>229,910</u>	<u>25,407</u>	<u>19,524,606</u>	<u>126,840,692</u>	
-	-	-	-	438,086	15,610,948	
-	-	-	-	396,570	27,214,659	
-	-	-	-	2,511,062	27,706,657	
-	-	-	-	2,951,882	8,334,973	
1,287,331	-	-	-	-	1,405,250	
-	-	-	-	11,275,274	11,275,274	
-	11,268,599	1,956,361	4,727,840	5,506,879	53,120,602	
2,110,000	-	-	-	1,400,000	12,663,601	
262,538	-	-	-	1,280,786	6,694,538	
750	-	1,805	1,720	10,510	269,251	
<u>3,660,619</u>	<u>11,268,599</u>	<u>1,958,166</u>	<u>4,729,560</u>	<u>25,771,049</u>	<u>164,295,753</u>	
<u>3,714,352</u>	<u>(11,250,078)</u>	<u>(1,728,256)</u>	<u>(4,704,153)</u>	<u>(6,246,443)</u>	<u>(37,455,061)</u>	
-	-	200,000	999,132	7,748,268	18,506,734	
(22,571)	-	(28,726)	-	(2,812,234)	(16,845,979)	
-	-	-	-	241,792	249,668	
-	-	-	-	-	19,500,000	
<u>(22,571)</u>	<u>-</u>	<u>171,274</u>	<u>999,132</u>	<u>5,177,826</u>	<u>21,410,423</u>	
3,691,781	(11,250,078)	(1,556,982)	(3,705,021)	(1,068,617)	(16,044,638)	
<u>32,624,565</u>	<u>28,528,868</u>	<u>8,100,339</u>	<u>41,393,980</u>	<u>30,224,014</u>	<u>190,380,611</u>	
<u>\$ 36,316,346</u>	<u>\$ 17,278,790</u>	<u>\$ 6,543,357</u>	<u>\$ 37,688,959</u>	<u>\$ 29,155,397</u>	<u>\$ 174,335,973</u>	

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CITY OF GRAPEVINE, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds	\$(16,044,638)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital assets recorded in the current period.	53,815,870
Governmental funds do not recognize assets contributed by granting agencies. However, in the statement of activities, the fair value of those assets are recognized as revenue, then depreciated over their estimated useful lives.	46,112
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(10,025,475)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of debt	(19,500,000)
Repayment of principal of long-term debt	12,663,601
Amortization of:	
Premium on bond issuance	637,155
Loss on refunding	(366,251)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to increase net position.	12,400
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	394,343
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated balances liability	(80,295)
Net OPEB obligation	(2,792,967)
Net pension obligation	(285,714)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(2,815,982)</u>
Change in net position of governmental activities	<u>\$ 15,658,159</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,221,974	\$ 66,032	\$ 14,288,006
Receivables, net	2,969,589	33,208	3,002,797
Due from other funds	9	-	9
Due from other governments	1,127,974	-	1,127,974
Accrued interest	1,370	7	1,377
Prepaid items	19,274	1,450	20,724
Inventory	-	40,527	40,527
Total current assets	18,340,190	141,224	18,481,414
Noncurrent assets:			
Restricted cash and investments:			
Customer deposits	929,117	-	929,117
Revenue bond construction	-	91,683	91,683
Impact fees	2,612,102	-	2,612,102
Total restricted cash and investments	3,541,219	91,683	3,632,902
Capital assets:			
Land	550,882	1,092,663	1,643,545
Buildings, structure and improvements	124,183,601	8,979,775	133,163,376
Vehicles, machinery and equipment	2,245,404	228,507	2,473,911
Construction in progress	403,861	-	403,861
Water storage rights	112,505	-	112,505
Less accumulated depreciation	(43,934,175)	(6,820,585)	(50,754,760)
Net capital assets	83,562,078	3,480,360	87,042,438
Total noncurrent assets	87,103,297	3,572,043	90,675,340
Total assets	105,443,487	3,713,267	109,156,754
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refunding	325,533	36,526	362,059
Total deferred outflows of resources	325,533	36,526	362,059

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

(Continued)

SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,513,827	\$ 127,282	\$ 2,641,109
Accrued liabilities	211,016	31,621	242,637
Due to other funds	-	799,471	799,471
Unearned revenue	297,902	-	297,902
Compensated absences	37,917	17,820	55,737
Retainage payable	302,402	-	302,402
Accrued bond interest payable	36,281	10,410	46,691
General obligation bonds payable	1,480,000	350,000	1,830,000
Customer deposits	928,817	-	928,817
	5,808,162	1,336,604	7,144,766
Noncurrent liabilities:			
General obligation bonds payable	5,929,931	1,795,683	7,725,614
Net OPEB obligation	1,243,688	596,513	1,840,201
Net pension obligation	396,874	179,360	576,234
Compensated absences	104,123	53,461	157,584
	7,674,616	2,625,017	10,299,633
	13,482,778	3,961,621	17,444,399
NET POSITION			
Net investment in capital assets	76,468,192	1,404,110	77,872,302
Restricted for:			
Impact fees	2,612,102	-	2,612,102
Unrestricted	13,205,948	(1,615,938)	11,590,010
	92,286,242	\$(211,828)	\$ 92,074,414

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CITY OF GRAPEVINE, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Fund		
	Water and Sewer	Lake Enterprise	Total
OPERATING REVENUES			
Charges for services	\$ 21,576,202	\$ 2,994,279	\$ 24,570,481
Miscellaneous	<u>2,091,133</u>	<u>23,212</u>	<u>2,114,345</u>
Total operating revenues	<u>23,667,335</u>	<u>3,017,491</u>	<u>26,684,826</u>
OPERATING EXPENSES			
Salaries and benefits	3,064,917	1,121,856	4,186,773
Maintenance, repairs, and supplies	10,596,496	303,539	10,900,035
Depreciation	2,828,841	407,722	3,236,563
General and administrative	<u>2,949,145</u>	<u>860,458</u>	<u>3,809,603</u>
Total operating expenses	<u>19,439,399</u>	<u>2,693,575</u>	<u>22,132,974</u>
OPERATING INCOME	<u>4,227,936</u>	<u>323,916</u>	<u>4,551,852</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	20,091	132	20,223
Interest and fiscal agent charges	<u>(323,600)</u>	<u>(70,222)</u>	<u>(393,822)</u>
Total nonoperating revenues (expenses)	<u>(303,509)</u>	<u>(70,090)</u>	<u>(373,599)</u>
INCOME BEFORE TRANSFERS	<u>3,924,427</u>	<u>253,826</u>	<u>4,178,253</u>
TRANSFERS			
Transfers in	45,350	-	45,350
Transfers out	<u>(1,595,765)</u>	<u>(110,340)</u>	<u>(1,706,105)</u>
Total transfers	<u>(1,550,415)</u>	<u>(110,340)</u>	<u>(1,660,755)</u>
CHANGE IN NET POSITION	2,374,012	143,486	2,517,498
TOTAL NET POSITION, BEGINNING	90,029,226	(336,226)	89,693,000
CHANGE IN ACCOUNTING PRINCIPLES	<u>(116,996)</u>	<u>(19,088)</u>	<u>(136,084)</u>
NET POSITION, BEGINNING, AS RESTATED	<u>89,912,230</u>	<u>(355,314)</u>	<u>89,556,916</u>
TOTAL NET POSITION, ENDING	<u>\$ 92,286,242</u>	<u>\$(211,828)</u>	<u>\$ 92,074,414</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 22,357,749	\$ 3,016,722	\$ 25,374,471
Cash paid to employees	(2,702,551)	(1,042,473)	(3,745,024)
Cash paid to suppliers for goods and services	(13,101,968)	(1,298,085)	(14,400,053)
Net cash provided by operating activities	<u>6,553,230</u>	<u>676,164</u>	<u>7,229,394</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal repayment on bonds	(1,420,000)	(330,000)	(1,750,000)
Interest and related fees paid on long-term debt	(321,163)	(100,150)	(421,313)
Acquisition and construction of capital assets	(6,557,598)	(264,673)	(6,822,271)
Net cash used by capital and related financing activities	<u>(8,298,761)</u>	<u>(694,823)</u>	<u>(8,993,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments and cash equivalents	<u>21,469</u>	<u>140</u>	<u>21,609</u>
Net cash provided by investing activities	<u>21,469</u>	<u>140</u>	<u>21,609</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in	45,350	-	45,350
Transfer out	(1,595,765)	(110,340)	(1,706,105)
Net cash used by noncapital financing activities	<u>(1,550,415)</u>	<u>(110,340)</u>	<u>(1,660,755)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,274,477)	(128,859)	(3,403,336)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>21,037,672</u>	<u>286,574</u>	<u>21,324,246</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 17,763,195</u>	<u>\$ 157,715</u>	<u>\$ 17,920,910</u>
(Including \$3,541,219 of restricted cash and investments in the Water and Sewer Fund and \$91,683 of restricted cash and investments in the Lake Enterprise Fund)			

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

**STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 4,227,936	\$ 323,916	\$ 4,551,852
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	2,828,841	407,722	3,236,563
(Increase) decrease in assets:			
Customer receivable	(234,216)	(769)	(234,985)
Other receivable	(1,035,927)	-	(1,035,927)
Other assets	(19,283)	(1,450)	(20,733)
Inventories	-	7,429	7,429
Increase (decrease) in liabilities:			
Accounts payable	410,041	(12,888)	397,153
Accrued liabilities	68,850	6,275	75,125
Other liabilities	(9,286)	(127,179)	(136,465)
Unearned revenue	(20,160)	-	(20,160)
Customer deposits	42,918	-	42,918
Net OPEB obligation	256,386	92,735	349,121
Net pension obligation	21,668	7,559	29,227
Compensated absences	15,462	(27,186)	(11,724)
Total adjustments	<u>2,325,294</u>	<u>352,248</u>	<u>2,677,542</u>
Net cash provided by operating activities	<u>\$ 6,553,230</u>	<u>\$ 676,164</u>	<u>\$ 7,229,394</u>

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CITY OF GRAPEVINE, TEXAS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

SEPTEMBER 30, 2014

	<u>Agency</u>	<u>Grapevine Health Care Reimbursement Trust</u>
ASSETS		
Cash and cash equivalents	\$ 159,952	\$ 2,442,933
Accrued interest receivable	<u>-</u>	<u>1,385</u>
Total assets	<u>159,952</u>	<u>2,444,318</u>
LIABILITIES		
Accounts payable	-	739
Due to beneficiary	<u>159,952</u>	<u>-</u>
Total liabilities	<u>159,952</u>	<u>739</u>
NET POSITION		
Held in trust for Grapevine Health Care Reimbursement		<u>\$ 2,443,579</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Grapevine Health Care Reimbursement Trust
ADDITIONS	
Employer contributions	\$ 337,600
Investment income	9,059
Total additions	346,659
DEDUCTIONS	
Distributions	7,396
Change in net position	339,263
NET POSITION, BEGINNING	2,104,316
NET POSITION, ENDING	\$ 2,443,579

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Grapevine (“City”) is a municipal corporation incorporated under Article XI of the Texas Constitution (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, safety and convenience of its citizens.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. The following represents the more significant accounting and reporting policies and practices used by the City.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Based on these criteria, the financial information of the following entities have been blended or discretely presented within the financial statements.

Blended Component Units

Grapevine Tax Increment Financing District Reinvestment Zone Number One and Two (the “TIF’s”) were formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIF’s are governed by two separate boards of directors that are substantively the same as the City Council. The chairman of the board is also designated by the City Council.

The Grapevine Crime Control and Prevention District (Crime District) was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. One-half (1/2) cent of local sales and use tax within the district funds the Crime District. The Board of Directors of the Crime Control and Prevention District is substantively the same as the City Council.

The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund accounts for funds designated for Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (the "T"). The Economic Development Fund accounts for funds used to stimulate the local economy, development, and redevelopment. One-half (1/2) cent local sales and use tax within the district fund these two blended component units. Three eighths (3/8th) of one-half cent of the local sales tax is used to fund the 4B Transit Fund. One eighth (1/8th) of one-half cent of the local sales tax is used to fund the Economic Development Fund. The Boards of Directors of these blended component units include citizens as members, but are substantively the same as the City Council.

Discretely Presented Component Unit

Grapevine Heritage Foundation (the "Foundation") is a Texas nonprofit corporation governed by a 15-member board of directors appointed by City Council, which includes a City Council member and the Director of the City's Convention and Visitor's Bureau. The Foundation's operating budget is subject to the approval of the City Council. The City is able to impose its will on the Foundation. The boards are not substantively the same. The Foundation does not provide services to the City.

Complete financial statements for the TIFS may be obtained from the City of Grapevine, Finance Department, 200 South Main St., Grapevine Texas 76051. Separate financial statements for the Heritage Foundation, the Crime Control and Protection District, The 4B Transit Fund, and the 4B Economic Development Fund are not prepared.

B. Government-wide Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, franchise taxes, hotel occupancy taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and municipal golf course are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The **General Fund** accounts for several of the City's primary services (Police Administration, Fire, Public Works, Libraries, Parks and Recreation, etc.) and is the primary operating unit of the City.

The **Special Revenue Fund (Hotel Occupancy Tax Fund)** accounts for all hotel occupancy tax revenues which are restricted by state statute and can only be used on expenditures related to culture and recreation. Additional local revenues generated through tourism activities are accumulated in this fund and are assigned for use on expenditures related to culture and recreation. Per Ordinance No. 2014-37 the City Council passed a 1% increase in the Hotel Occupancy Tax Rate effective 10/1/2014.

The **Special Revenue Fund (Crime District Fund)** accounts for the accumulation and use of sales tax proceeds restricted for crime reduction programs.

The **Special Revenue Fund (4B-Economic Development Fund)** is used to account for the accumulation of sales tax restricted for economic development projects and local funds assigned by the City to stimulate the local economy, development, and redevelopment.

The **Debt Service Fund** is used to account for the accumulation of restricted property tax resources levied for the payment of general long-term debt principal, interest and related costs.

The **Tax Increment Financing Number One (TIF #1) Debt Service Fund** TIF #1 account was established by ordinances authorizing the issuance of Combination Tax and Tax Increment Reinvestment Zone Certificate of Obligations Series 1996. A property tax is levied for the payment of the debt as it becomes due and is currently payable in annual installments as it becomes due.

The **Capital Projects Fund (Parks Open Space and Recreation Fund)** is used to account for the financing, acquisition, construction and improvement of parks and public recreation facilities.

The **Capital Projects Fund (Streets Fund)** is used to account for the construction of improvements to various streets, drainage and sidewalk projects.

The **Capital Projects Fund (General Facilities and Equipment Fund)** is used to account for general financing, acquisition, construction and improvements of the City's buildings and capital equipment.

Proprietary funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The Water and Sewer Fund accounts for the operation of the City's water and sewer utility activities including administration, operation and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

The Lake Enterprise Fund includes the operations of a municipal golf course.

There are no nonmajor proprietary funds for the fiscal year end September 30, 2014.

Fiduciary Funds. There are four fiduciary funds: three agency funds and the Grapevine Health Reimbursement Trust Fund (HRA). Agency Funds represent funds held in an agency capacity for the Industrial Development Corporation, funds held for the Police Department entitled "Police Department Case Settlement" and funds held for the W.D. Tate Scholarship. These funds do not belong to the City. The Industrial Development Corporation is organized solely for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and welfare. The HRA is an employee benefit trust account organized solely for the purpose of holding resources required to be held in trust for the members and beneficiaries of the defined employee medical plans. Trust funds use the economic resources measurement focus. Agency funds do not have a measurement focus.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, and then use the unrestricted resources as needed.

D. Assets, Liabilities, and Net Position

1. Cash and Investments

Cash consists of demand deposits (principally interest-bearing accounts).

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market prices at September 30, 2014, to be the fair value of investments.

For purposes of the statement of cash flows, proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

2. Interfund Transactions, Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as either "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes and Other Receivables

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. The appraisal of property within the City is the responsibility of the Central Appraisal Districts of Dallas, Denton, and Tarrant Counties as required by legislation passed by the Texas Legislature. The Appraisal Districts are required under such legislation to assess all property within their Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the completed tax year 2013 levy was based was approximately \$6,347,070,579. The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2014, was \$0.34250 per \$100 of assessed valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Property taxes levied for 2014 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2014 and those considered “available” at year-end are recognized as revenues in 2014. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred inflows of resources in the fund financial statements.

All trade and property tax receivables are shown net of an allowance for uncollectibles. All other allowances for uncollectible accounts are based on accounts outstanding in excess of 360 days of the invoice date. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last 20 years.

Property taxes are imposed nonexchange revenues. Assets from imposed nonexchange transactions are recorded when the entity has enforceable legal claim to the asset, or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as October 1.

The allowance for uncollectible accounts for utility billing is estimated based on a percentage of sales.

4. Inventories and Prepaid Items

Inventories are valued at average cost on a first-in, first-out basis.

Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used). Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds for prepaid items to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments of greater than \$5,000 that benefit future periods.

5. Restricted Assets

Certain proceeds of the City’s general obligation, certificates of obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or they are maintained in separate investment accounts. The “revenue bond construction” accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets. Also included in restricted assets are impact fees (see Note 13) and customer deposits.

6. Capital Assets

Capital assets, which include land improvements, construction-in-progress, buildings and improvements, equipment, intangible assets and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 that have an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings - wood framed	20
Buildings - metal storage	7
Buildings - steel framed	40
Water and sewer system	30-50
General infrastructure	20-30
Improvements other than buildings	10-20
Machinery and equipment	3-10
Motor vehicles	3-10

7. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City is reporting balances for deferred losses on bond refundings in both the government-wide Statement of Net Position and the Statement of Net Position – Proprietary Funds. A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds

balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Streets</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Property taxes	\$ 42,801	\$ 69,317	\$ -	\$ -	\$ 112,118
Property tax penalties and interest	31,646	52,500	-	-	84,146
Court fines and fees	311,849	-	-	-	311,849
Ambulance	667,331	-	-	-	667,331
Grant revenue	<u>-</u>	<u>-</u>	<u>4,400</u>	<u>21,325</u>	<u>25,725</u>
Total	<u>\$ 1,053,627</u>	<u>\$ 121,817</u>	<u>\$ 4,400</u>	<u>\$ 21,325</u>	<u>\$ 1,201,169</u>

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. The liabilities for these amounts are accrued as they are incurred in the government-wide and proprietary fund financial statements. Employees are not reimbursed upon termination for accumulated sick leave.

9. Long-term Debt

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

10. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

11. New Accounting Principles

Significant new accounting standards not yet implemented by the City include the following:

Statement No. 68 ("GASB 68"), *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

12. Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the City has restated the beginning net position, effectively decreasing net position as of October 1, 2013 by \$1,119,921 for the governmental activities, by \$136,084 for the business-type activities and proprietary funds. These decreases result from no longer deferring and amortizing bond issuance costs.

Further, the City has restated its long-term liabilities to reflect that components of those liabilities as of October 1, 2013, deferred losses on bond refundings, are now reported as deferred outflows of resources in the government-wide and proprietary fund financial statements. The effect of this change increased the long-term liabilities of the governmental activities by \$2,870,991 and increased long-term liabilities of the business-type activities by \$404,247. These increases in long-term liabilities correspond to an increase in deferred outflows of resources.

2. DEFICIT EQUITY BALANCES

The Lake Parks Fund (Special Revenue – Nonmajor Fund) had a deficit fund balance of (\$1,100,605). This deficit will either be resolved with increased revenues or a transfer from other funds in the future.

The Grant Fund (Special Revenue – Nonmajor Fund) had a deficit fund balance of (\$7,771) at year-end. This deficit can be attributed to the timing of grant payments from granting agencies. The deficit will be funded in the subsequent period with the receipt of grant funding.

The Lake Enterprise Fund had a deficit net position of (\$211,828). The City anticipates the deficit equity balance in this fund will decline in the future. If this deficit continues it will either be resolved with an increase in revenues or a transfer from other funds.

3. CASH AND INVESTMENTS

As of September 30, 2014, the City had the following cash and investments:

Total City cash deposits	\$ 27,276,561
Total investments	<u>171,438,069</u>
Total City cash and investments	<u>\$ 198,714,630</u>
Cash and investments composition:	
Primary government	\$ 195,589,363
Component unit	522,382
Trust and agency funds	<u>2,602,885</u>
Total cash and investments	<u>\$ 198,714,630</u>

Investment Type	Fair Value	Weighted Average Maturity (Days)
TexPool	\$ 96,324,869	51
LOGIC	73,836,092	57
U. S. Treasury Bonds	277,539	593
Federal Farm Credit Bonds	499,624	1,085
Federal Home Loan Bank Bonds	<u>499,945</u>	912
Total portfolio	<u>\$ 171,438,069</u>	
Portfolio weighted average maturity (days)		60

Investment pools are not categorized as to investment risk since specific securities relating to the City cannot be identified. Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. Under the LOGIC Participation Agreement, administrative and investment services to LOGIC are provided by First Southwest Asset Management, Inc. and JP Morgan Asset Management, Inc. as co administrators. The administrators settle all trades for LOGIC and secure and value its assets every day. The fair value of the City's position in these pools is the same as the value of the pool shares. As of September 30, 2014, the City's investments in LOGIC and TexPool were both rated AAAM by Standard & Poor's.

Interest Rate Risk. In accordance with its investment policy, the City minimizes the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:

- a. Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
- b. Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.
- c. Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Credit Risk. In accordance with its investment policy, the City minimizes credit risk, the risk of loss due to the failure of the issuer or backer of the investment by:

- a. Limiting investments to the safest types of investments.
- b. Pre-qualifying the financial institutions and broker/dealers with which the City will do business.

- c. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

Concentration of Credit Risk. The City's investment policy allows up to 100% to be invested in U. S. Treasury Bills/Notes/Bonds, and U. S. Agencies and Instrumentalities. The City's investment in the securities of U. S. agencies are rated AAA by Standard & Poor's. TexPool and LOGIC are public funds investment pools operating as a 2a-7 like pool and in full compliance with the Public Funds Investment Act.

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of the State of Texas or its agencies. The City's deposits were fully collateralized by government securities, or had a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2014.

4. RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Accrued			Gross	Less	
	Interest	Taxes	Accounts	Receivables	Allowance for	Total
					Uncollectibles	
General	\$ 674	5,235,654	4,803,149	\$ 10,039,477	(3,172,855)	\$ 6,866,622
Hotel Occupancy	1,123	1,109,481	85,986	1,196,590	(14,988)	1,181,602
Crime District	-	2,148,365	3,150	2,151,515	-	2,151,515
4B - Economic Development	592	651,488	4,000	656,080	-	656,080
Debt Service	1,022	562,731	-	563,753	(438,364)	125,389
Debt Service TIF #1	2,195	567	-	2,762	-	2,762
Parks Open Space and Recreation	17	-	-	17	-	17
Streets	345	-	-	345	-	345
General Facilities and Equipment	137	-	-	137	-	137
Water and Sewer	1,370	-	3,095,158	3,096,528	(125,569)	2,970,959
Lake Enterprise	7	-	33,208	33,215	-	33,215
Nonmajor funds	<u>1,569</u>	<u>1,568,157</u>	<u>178,573</u>	<u>1,748,299</u>	<u>-</u>	<u>1,748,299</u>
Total	<u>\$ 9,051</u>	<u>\$ 11,276,443</u>	<u>\$ 8,203,224</u>	<u>\$ 19,488,718</u>	<u>\$(3,751,776)</u>	<u>\$ 15,736,942</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

Primary Government

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 47,821,876	\$ 33,324,319	\$ -	\$ 81,146,195
Construction in progress	6,027,159	15,070,350	(239,131)	20,858,378
Total assets not being depreciated	<u>53,849,035</u>	<u>48,394,669</u>	<u>(239,131)</u>	<u>102,004,573</u>
Capital assets, being depreciated:				
Buildings	50,688,997	1,445,476	-	52,134,473
Improvement other than buildings	30,737,099	1,795,857	(173,222)	32,359,734
Equipment and vehicles	36,500,711	3,111,667	(1,424,832)	38,187,546
Infrastructure	121,489,243	8,495	-	121,497,738
Total capital assets being depreciated	<u>239,416,050</u>	<u>6,361,495</u>	<u>(1,598,054)</u>	<u>244,179,491</u>
Less accumulated depreciation:				
Buildings	(18,049,815)	(1,522,927)	-	(19,572,742)
Improvement other than buildings	(9,595,795)	(1,533,265)	2,456	(11,126,604)
Equipment and vehicles	(22,607,523)	(2,605,255)	1,344,797	(23,867,981)
Infrastructure	(69,396,661)	(4,364,028)	-	(73,760,689)
Total accumulated depreciation	<u>(119,649,794)</u>	<u>(10,025,475)</u>	<u>1,347,253</u>	<u>(128,328,016)</u>
Total capital assets being depreciated, net	<u>119,766,256</u>	<u>(3,663,980)</u>	<u>(250,801)</u>	<u>115,851,475</u>
Governmental activities capital assets, net	<u>\$ 173,615,291</u>	<u>\$ 44,730,689</u>	<u>\$ (489,932)</u>	<u>\$ 217,856,048</u>

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,643,545	\$ -	\$ -	\$ 1,643,545
Construction in progress	<u>219,754</u>	<u>6,323,108</u>	<u>(6,139,001)</u>	<u>403,861</u>
Total assets not being depreciated	<u>1,863,299</u>	<u>6,323,108</u>	<u>(6,139,001)</u>	<u>2,047,406</u>
Capital assets, being depreciated:				
Buildings	2,432,585	-	-	2,432,585
Improvement other than buildings	6,867,585	129,000	-	6,996,585
Equipment and vehicles	1,949,236	524,675	-	2,473,911
Water storage rights	683,547	-	-	683,547
Infrastructure	<u>117,595,205</u>	<u>-</u>	<u>6,139,001</u>	<u>123,734,206</u>
Total capital assets being depreciated	<u>129,528,158</u>	<u>653,675</u>	<u>6,139,001</u>	<u>136,320,834</u>
Less accumulated depreciation:				
Buildings	(1,634,780)	(41,969)	-	(1,676,749)
Improvement other than buildings	(4,988,200)	(366,187)	-	(5,354,387)
Equipment and vehicles	(709,463)	(234,579)	-	(944,042)
Water storage rights	(553,953)	(17,089)	-	(571,042)
Infrastructure	<u>(40,202,843)</u>	<u>(2,576,739)</u>	<u>-</u>	<u>(42,779,582)</u>
Total accumulated depreciation	<u>(48,089,239)</u>	<u>(3,236,563)</u>	<u>-</u>	<u>(51,325,802)</u>
Total capital assets being depreciated, net	<u>81,438,919</u>	<u>(2,582,888)</u>	<u>6,139,001</u>	<u>84,995,032</u>
Business-type activities capital assets, net	<u>\$ 83,302,218</u>	<u>\$ 3,740,220</u>	<u>\$ -</u>	<u>\$ 87,042,438</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 671,772
Public safety	1,332,603
Public works	4,909,813
Culture and recreation	<u>3,111,287</u>
Total depreciation expense - governmental activities	<u>\$ 10,025,475</u>
Business-type activities:	
Water and sewer	\$ 2,828,841
Lake Enterprise	<u>407,722</u>
Total depreciation expense - business-type activities	<u>\$ 3,236,563</u>

	Beginning Balance	Transfers and Additions	Transfers and Retirements	Ending Balance
Discretely Presented Component Unit:				
Capital assets, not being depreciated:				
Land	\$ 450,067	\$ -	\$ -	\$ 450,067
Total assets not being depreciated	<u>450,067</u>	<u>-</u>	<u>-</u>	<u>450,067</u>
Capital assets, being depreciated:				
Building	1,031,174	-	-	1,031,174
Improvements other than building	945,651	-	-	945,651
Vehicles and equipment	31,275	-	-	31,275
Total capital assets being depreciated	<u>2,008,100</u>	<u>-</u>	<u>-</u>	<u>2,008,100</u>
Less accumulated depreciation:				
Building	(183,847)	(27,576)	-	(211,423)
Improvements other than building	(691,939)	(47,800)	-	(739,739)
Vehicles and equipment	(31,275)	-	-	(31,275)
Total accumulated depreciation	<u>(907,061)</u>	<u>(75,376)</u>	<u>-</u>	<u>(982,437)</u>
Total capital assets being depreciated, net	<u>1,101,039</u>	<u>(75,376)</u>	<u>-</u>	<u>1,025,663</u>
Discretely presented component unit capital assets, net	<u>\$ 1,551,106</u>	<u>\$(75,376)</u>	<u>\$ -</u>	<u>\$ 1,475,730</u>

Construction Commitments

The City has active construction projects as of September 30, 2014. The projects include building projects, street construction and improvements of existing streets, and repair and maintenance of existing water and sewer systems. As of September 30, 2014, the City had outstanding construction commitments totaling \$18,033,118.

Project	Commitment
Streets and drainage projects	\$ 488,394
Water and wastewater projects	81,218
Public safety building	1,393,683
Community activity center renovation	<u>16,069,823</u>
Total	<u>\$ 18,033,118</u>

The commitment for building, street and drainage construction is funded from unexpended general obligation, certificates of obligation, and revenue bond proceeds. Water and wastewater projects are funded from unexpended revenue bond proceeds and operations.

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Crime District	\$ 926,316
	Grants (nonmajor fund)	17,233
	Lake Parks (nonmajor fund)	681,490
	Lake Enterprise	<u>799,471</u>
Total General		2,424,510
General Facilities and Equipment	General	865
Water and Sewer	General	<u>9</u>
Total		<u>\$ 2,425,384</u>

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less. Similar transaction such as this also exist between the primary government and the City's discretely presented component unit. The balances due to and due from component unit and primary government at September 30, 2014 consisted of the following:

<u>Receivable</u>	<u>Payable</u>	
Component unit - Heritage Foundation	Primary Government - Hotel Occupancy Fund	\$ <u>526</u>

Interfund Transfers

Various non-major funds received transfers from the General Fund during fiscal year 2014. The General Fund transferred \$3,000,000 to the Quality of Life Fund for capital projects. The General Fund transferred \$1,000,000 (net) to the Crime District Fund to supplement the difference in operating expenses from the anticipated sales tax revenue collection for the fiscal year. In addition, the Street Maintenance and Capital Replacement Fund received a \$2,809,000 transfer for capital projects related to streets and general facilities, and \$1,676,000 was transferred to the Capital Acquisition Fund for fleet, capital and technology equipment purchases. There were transfers to the Debt Service Fund of \$2,038,900 for payment of debt obligations for the Hotel Occupancy Tax Fund, \$319,436 for the Storm Drainage Fund, and \$323,973 for the Lake Parks Fund, \$23,607 for the Municipal Court Technology Fund. Transfers to the General Fund for \$3,460,225 were for payments from other funds for insurance, claims, fleet and IT costs administered by the General Fund. There were also inter-fund transfers for \$2,000,000 (net) to establish the new Economic Development Fund.

The primary purpose of interfund transfers is the transfer of funds from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

Transfers in	Transfers out	Amount	Total
General	Hotel Occupancy Tax	\$ 1,147,952	
	4-B Economic Development	283,450	
	Water and Sewer	1,595,765	
	Lake Enterprise	110,340	
	Nonmajor governmental	<u>322,718</u>	
Total General			\$ 3,460,225
Hotel Occupancy Tax	General	28,014	
	Nonmajor governmental	<u>365,179</u>	
Total Hotel Occupancy Tax			393,193
Crime District	General		1,000,000
4-B Economic Development	General	1,000,000	
	Nonmajor governmental	<u>1,000,000</u>	
Total Hotel Occupancy Tax			2,000,000
Debt Service	Hotel Occupancy Tax	2,038,900	
	Nonmajor governmental	<u>667,016</u>	
Total Debt Service			2,705,916
Streets	Nonmajor governmental		200,000
General Facilities and Equipment	Hotel Occupancy Tax		999,132
Water and Sewer	Nonmajor governmental		45,350
Nonmajor governmental	General	7,485,000	
	TIF #1	22,571	
	Streets	28,726	
	Nonmajor governmental	<u>211,971</u>	
Total nonmajor governmental			<u>7,748,268</u>
Total			<u>\$ 18,552,084</u>

7. LEASES

Operating Leases

Lake Parks:

The City entered into a 25-year lease agreement with the United States Corps of Engineers to operate and maintain approximately 770 acres of property at Lake Grapevine. The City is

required to pay the cost to maintain and operate the property. Revenues generated from the operations on the property will be used to maintain the property. The term of the operating lease is from October 2004 through September 2029. The agreement covers the park areas of Meadowmere Park, Oak Grove Park and Silver Lake Park.

Gaylord Texan Resort and Convention Center:

The City leased property from the United States Corps of Engineers as referred to above (Lake Parks). The City entered into a sublease agreement with the Gaylord Texan Resort and Convention Center on March 18, 1994, for a portion of the land leased from the United States Corps of Engineers. The contract is for 49 years and the rent payment is \$1 per year. Gaylord Texan Resort and Convention Center has a sublease hold deed of trust and security agreement. The City agreed to sublease property to Gaylord Texan Resort and Convention Center so they could secure financing.

The City and Gaylord Texan Resort and Convention Center entered into an amended agreement in fiscal year 2008 pertaining to the United States Corps of Engineers leased property referred to as the "Lease Property." This amendment does not become effective until the issuance of a building permit for the expansion on this property. The "Lease Property" terms provide for annual rents during the construction of the expansion of \$54,360 with periodic fee increases due upon substantial completion of the expansion of the Gaylord Texan Resort and Convention Center. The annual rent will be adjusted every five years based on the terms of the contract. The Land Lease shall commence upon the issuance of a building permit for the expansion and shall have a primary term of 25 years with Gaylord Texan Resort and Convention Center having the right to extend the term for one additional period of 25 years.

In the amended agreement between the City and Gaylord Texan Resort and Convention Center, the City also granted to Gaylord Texan Resort and Convention Center an option for the right to lease the "Western Amenity Parcel." For a period of one year from the date of the Option Election, Gaylord Texan Resort and Convention Center has the right to lease the "Western Amenity Parcel," and to keep the option in effect, Gaylord Texan Resort and Convention Center must continue paying annual rent at an amount based upon the contract terms. Gaylord Texan Resort and Convention Center elected to pick up the option for the "Western Amenity Parcel" on June 5, 2008, and paid the City of Grapevine \$54,000 in accordance with the terms of the agreement.

In May 2009, the City and Gaylord Texan Resort and Convention Center entered into a third agreement and agreed to extend the required commencement date of the expansion from September 12, 2009 until September 12, 2012 and extended the renewal dates for parcels 5 and 7 as defined in the agreement, until September 12, 2012. The City then entered into several additional extensions and recently approved the sixth addendum or extension with the Gaylord Texan Resort on April 1, 2014 extending the agreement to September 12, 2016.

Cowboys Golf Course:

The City entered into a 25-year lease agreement with the Cowboys Golf Course in 1994. The rent fee is 3% of Cowboys' gross revenues from operations.

8. LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds with principal maturing each year.

A summary of the terms of general obligation bonds, combination tax and revenue bonds, and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2014, follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5% - 5.25%	\$ 71,435,000
Governmental activities, refunding	2.5% - 5.25%	<u>25,220,000</u>
Total governmental		96,655,000
Business-type activities, refunding	2.0% - 5.25%	<u>9,095,000</u>
Total general obligation debt		<u>\$ 105,750,000</u>

Annual debt service requirements for general obligation bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>General Obligation</u>	<u>G. O. Interest</u>	<u>General Obligation</u>	<u>G. O. Interest</u>
2015	\$ 7,300,000	\$ 3,747,889	\$ 1,830,000	\$ 347,525
2016	7,595,000	3,507,634	1,925,000	268,125
2017	6,580,000	3,274,306	1,855,000	195,038
2018	6,045,000	3,060,587	1,270,000	119,000
2019	6,310,000	2,840,558	1,320,000	68,899
2020-2024	22,855,000	10,815,320	895,000	36,099
2025-2029	20,575,000	6,476,685	-	-
2030-2034	<u>19,395,000</u>	<u>1,914,205</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 96,655,000</u>	<u>\$ 35,637,184</u>	<u>\$ 9,095,000</u>	<u>\$ 1,034,686</u>

Certificates of Obligation

The City also issues certificates of obligation (“COs”) to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment. Interest rates on the outstanding COs range from 3.00% – 7.00%. Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Certificates of Obligation</u>	<u>C. O. Interest</u>
2015	\$ 4,748,386	\$ 1,844,056
2016	4,810,095	1,615,121
2017	2,486,864	1,447,480
2018	2,603,694	1,334,576
2019	2,735,590	1,215,867
2020-2024	14,562,553	4,157,589
2025-2029	8,960,000	824,595
2030-2034	<u>125,000</u>	<u>2,812</u>
Total	<u>\$ 41,032,182</u>	<u>\$ 12,442,096</u>

Notes Payable

The City issues tax notes to finance the construction of capital improvement projects, municipal facilities, and machinery and equipment. The interest rates on the outstanding tax notes range from 3.00% – 4.25%.

Tax, Land and Other Notes debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Tax, Land and Other Notes</u>	<u>Tax, Land and Other Interest</u>
2015	\$ 1,400,342	\$ 97,856
2016	571,533	69,285
2017	587,816	56,751
2018	580,000	34,200
2019	590,000	21,763
2020-2024	717,103	39,796
2025-2029	<u>24,255</u>	<u>960</u>
Total	<u>\$ 4,471,049</u>	<u>\$ 320,611</u>

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2014, (amounts expressed in thousands):

	Balance 9/30/2013	Increases	Reductions	Balance 9/30/2014	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 102,692,840	\$ -	\$(6,037,840)	\$ 96,655,000	\$ 7,300,000
Certificates of obligation	45,658,918	-	(4,626,736)	41,032,182	4,748,386
Sales tax revenue bonds	-	19,500,000	-	19,500,000	660,000
Total bonds payable	<u>148,351,758</u>	<u>19,500,000</u>	<u>(10,664,576)</u>	<u>157,187,182</u>	<u>12,708,386</u>
Notes payable - taxes	6,095,000	-	(1,810,000)	4,285,000	1,385,000
Notes payable	201,518	-	(15,469)	186,049	15,342
Total notes payable	<u>6,296,518</u>	<u>-</u>	<u>(1,825,469)</u>	<u>4,471,049</u>	<u>1,400,342</u>
Total bonds and notes	<u>154,648,276</u>	<u>19,500,000</u>	<u>(12,490,045)</u>	<u>161,658,231</u>	<u>14,108,728</u>
Premium on bond issues	6,399,166	-	(637,155)	5,762,011	-
Net governmental bonds and notes outstanding	<u>161,047,442</u>	<u>19,500,000</u>	<u>(13,127,200)</u>	<u>167,420,242</u>	<u>14,108,728</u>
Sales tax obligation	945,803	-	(173,556)	772,247	173,556
Net OPEB obligation	11,546,496	2,792,967	-	14,339,463	-
Net pension obligation	5,027,942	6,556,079	(6,270,365)	5,313,656	-
Compensated absences	2,947,370	2,215,216	(2,134,921)	3,027,665	756,916
Total governmental long-term liabilities	<u>\$ 181,515,053</u>	<u>\$ 31,064,262</u>	<u>\$(21,706,042)</u>	<u>\$ 190,873,273</u>	<u>\$ 15,039,200</u>

For the governmental activities, compensated absences and other long-term liabilities are generally liquidated by the General Fund.

	Balance 9/30/2013	Increases	Reductions	Balance 9/30/2014	Due Within One Year
Business-type activities:					
Water and sewer obligations					
General obligation bonds	\$ 8,545,000	\$ -	\$(1,420,000)	\$ 7,125,000	\$ 1,480,000
Premium on bond issues	355,529	-	(70,598)	284,931	-
Net water and sewer bonds payable	<u>8,900,529</u>	<u>-</u>	<u>(1,490,598)</u>	<u>7,409,931</u>	<u>1,480,000</u>
Lake enterprise obligations					
General obligation bonds	2,300,000	-	(330,000)	1,970,000	350,000
Premium on bond issues	210,819	-	(35,136)	175,683	-
Net Lake Enterprise bonds payable	<u>2,510,819</u>	<u>-</u>	<u>(365,136)</u>	<u>2,145,683</u>	<u>350,000</u>
Net business-type bonds payable	<u>11,411,348</u>	<u>-</u>	<u>(1,855,734)</u>	<u>9,555,614</u>	<u>1,830,000</u>
Net OPEB obligation	1,491,080	349,121	-	1,840,201	-
Net pension obligation	547,007	670,639	(641,412)	576,234	-
Compensated absences	225,045	154,011	(165,735)	213,321	55,737
Total business-type long-term liabilities	<u>\$ 13,674,480</u>	<u>\$ 1,173,771</u>	<u>\$(2,662,881)</u>	<u>\$ 12,185,370</u>	<u>\$ 1,885,737</u>

Defeased Debt

As of September 30, 2014 outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are \$1,035,000.

Other Long-term Liabilities – Texas Comptroller of Public Accounts

As of September 30, 2014, the City of Grapevine has three payout agreements with the Texas Comptroller of Public Accounts for overpayment of sales taxes that total \$772,247. These amounts will be withheld from sales tax receipts over a period not to exceed six years.

Pledged Revenues

Tax Increment Financing District #1

The Board of Directors for the Tax Increment Financing District #1 approved amending the Financing and Project Plan to allow the creation of a 380 Category within the Financing and Plan whereas all City funds contributed to date and additional funds contributed up to 2016-2017 be placed in a 380 account in the TIF zone to incentivize further economic development in the zone. The action was passed by the Board on September 8, 2009.

Tax Increment Financing District #2

The City has entered into a local agreement with the Grapevine-Colleyville Independent School District where future ad valorem taxes collected for the zone will be used to contribute towards the School's middle school debt. The total contribution that the City is obligated to pay is \$32,490,606 as of September 30, 2014. The annual amount was negotiated with the school and the school bills the City for this annual debt payment. The City does not have title to the middle school improvements.

9. EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.00%	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015). The annual pension cost and the net pension obligation (asset) are as follows:

Annual Required Contribution (ARC)	\$ 7,187,386
Interest on Net Pension Obligation	390,246
Adjustment to the ARC	(350,913)
Annual Pension Cost	7,226,719
Contributions Made	(6,911,777)
Increase (Decrease) in Net Pension Obligation	314,942
Net Pension Obligation/(Asset), beginning of year	<u>5,574,948</u>
Net Pension Obligation/(Asset), ending of year	<u>\$ 5,889,890</u>

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2012	6,890,012	6,157,566	89%	5,147,458
9/30/2013	6,988,788	6,561,297	94%	5,574,949
9/30/2014	7,226,719	6,911,777	96%	5,889,890

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	26.2 years; closed period	25.2 years; closed period	24.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment rate of return	7.00%	7.00%	7.00%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.10%	2.10%	2.10%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/2013	170,915,653	219,925,733	77.7%	49,010,080	35,984,243	136.2%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

10. COMMITMENTS AND CONTINGENCIES

The City is defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City. The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

Gaylord Texan Resort and Convention Center

The City of Grapevine, Texas has a Memorandum of Understanding with Opryland Hotel—Texas, Limited Partnership “Gaylord” whereas one cent (\$.01) of the Hotel Occupancy Tax [currently six cents (\$.06)] collected by the City from the Gaylord, for the immediately preceding fiscal-year, shall be remitted each year back to the Gaylord. Per the agreement dated March 24, 1999, these payments will continue for a period of 20 years. The initial term payment was made in 2005, and for fiscal year-end 2014 the payment was made for expenditures of \$738,384.

On April 1, 2014 the City entered into the sixth addendum with the Gaylord Texan Resort related to the expansion of the Gaylord Texan Resort and Convention Center. Gaylord Entertainment, Inc. will receive a payment from the City in the amount equal to one-half of the “City Property Taxes” paid by Gaylord Texan Resort and Convention Center to the City for a 10-year period. The term “City Property Taxes” means the amount determined by multiplying the City ad valorem tax rate for the years in question times the “Incremental Increase” in value with the base year being 2009. On October 1, 2012, the Opryland Hotel – Texas, Limited Partnership changed

its name to RHP Property, GT a Delaware Corporation and is now being reimbursed by the City as Marriott Gaylord.

The payment of Hotel Occupancy Taxes, as described in the preceding paragraph, will continue for a period of 20 years. If a building permit is issued for the expansion of the Gaylord Hotel prior to September 12, 2014, an additional one cent (\$.02 total) will then be remitted back to the Gaylord for the remainder of the 20 years.

Great Wolf Lodge

The City of Grapevine, Texas entered into an incentive agreement with Great Wolf Resorts, Inc. under Chapter 380 of the Texas Local Government Code. The Developer must complete the project to construct a family oriented resort hotel featuring an indoor water park to be known as the "Great Wolf Lodge." The Project is to be completed in two phases. In consideration of the Developer's completion of the Project, the City agrees to provide the following incentives. For a period of 10 years after the issuance of a Certificate of Occupancy for Phase I, the City shall annually grant an amount to developer equal to one cent (\$.01) of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase I of the Project for the immediately preceding Fiscal Year. For a period of 10 years after the issuance of a Certificate of Occupancy for Phase I, the City shall annually grant an amount to Developer equal to one cent of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase II of the Project for the immediately preceding Fiscal Year. The City shall annually provide a grant in an amount equal to one half of one cent of the municipal sales tax revenue collected on the "Property" for a period of 10 years following the opening of Phase II. The initial term payment was made in 2008, and for the fiscal year-end 2014 the incentives earned were \$560,448 and were remitted by the City in fiscal year 2015.

Henry Schein

The City of Grapevine, Texas entered into a rebate agreement with Henry Schein, Inc. on March 6, 2007, for the rebate of Sales Tax Receipts from the one percent (1%) sales and use tax under Chapter 321 of the Texas Tax Code. The amount of the rebate is eighty seven and one half percent (87.5%) of the sales tax receipts for the sale of taxable items at the Henry Schein facility in Grapevine, TX. The rebate does not apply to the one half of one percent (.5 %) sales and use tax imposed on behalf of the Grapevine 4B Economic Development Corporation and one half of one percent (.5 %) sales and use tax imposed on behalf of the Grapevine Crime Control and Prevention District. The initial term of the agreement began on April 1, 2007, and continues until the 10th anniversary date of the commencement date. Thereafter, the term of this agreement shall be automatically renewed for two (2) successive terms of ten (10) years each. The initial term payment was made in 2007, and for the fiscal year-end 2014 the rebate amounts earned by Henry Schein, Inc. totaled \$1,131,031.

Grapevine Mills Mall

In 2012, the Tax Increment Financing District Reinvestment Zone Number One (TIF#1) Board of Directors approved an Economic Development Agreement with Grapevine Mills LTD Partnership in an amount not to exceed \$14,000,000 for interior renovations (\$10,000,000) and future exterior improvements (\$4,000,000) at Grapevine Mills Mall.

11. RISK MANAGEMENT

The City of Grapevine is exposed to various risks of loss related to tort liability, theft of and damage to property and destruction of assets; public officials' errors and omissions; bodily injury and property damage; injury to employees and natural disasters. During fiscal year 1987, the City of Grapevine established a risk management program to account for and finance its risk of loss. In fiscal year 1991, the Risk Management program was expanded to include implementation of the SIR (Self Insured Retention) plan. Under this plan, the City provided insurance protection for all known exposures, including all third party liability, law enforcement liability, public officials' errors and omissions, and all bodily injury and property damage arising out of the City's operations on an insured basis with various retentions up to \$10,000 per occurrence. In addition, the City provides protection for all its real property on a blanket building basis, including contents with agreed values and replacement costs with \$5,000 retention per occurrence. The City provides statutory workers' compensation for all employees for bodily injury and indemnity loss of wages. The City provides liability protection for all its commercial auto vehicles (fleet) on an insured basis up to \$5,000 per occurrence. The City also provides \$10,000,000 excess umbrella liability over all liability exposures. The City's loss experience has been very favorable with the experience modifier of .32 in the City's workers' compensation plan and similar loss ratios in the City's property and casualty insurance fund. The City purchases commercial insurance for claims in excess of its retention provided by the fund and for all other risks of loss. Risk management subrogates against third parties that damage City property or create bodily injury to City staff. Settled claims have not exceeded this commercial coverage in any of the past twenty fiscal years, nor has the City experienced significant reductions in coverage. All funds of the City participate in the program and make payments to the general fund based on actuarial estimates of the amounts needed to pay prior and current year premiums and claims. All third party liability and property protection is provided by A rated insurance carriers as defined by Best Key Rating Guide, A.M. Best Company. All workers' compensation protection afforded the employees of the City of Grapevine is through the Texas Municipal League Risk Retention Pool (TML Intergovernmental Risk Pool – Texas Municipal League, 211 E. 7th Street, Austin, Texas 78701).

The City establishes the insurance claim liability based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Activity for the last two years is as follows:

	2014	2013
Claims payable, beginning of year	\$ 560,808	\$ 602,218
Current year claims and changes in estimates	6,849,116	6,070,309
Payments on claims	<u>(7,069,783)</u>	<u>(6,111,719)</u>
Claims payable at end of year	<u>\$ 340,141</u>	<u>\$ 560,808</u>

12. WATER STORAGE RIGHTS

Water storage rights of \$683,547 net of accumulated amortization of \$571,042, represent rights in the Federal Reservoir at Lake Grapevine purchased through a long-term contract with the federal government and are recorded at cost, with amortization being recorded using the straight-line method over the initial term of the contract of 40 years. Approximately 6 years remains on the contract.

13. IMPACT FEES

The City records impact fees received in excess of the cost of physical connection to the Water and Sewer system as revenues. Corresponding cash is recorded as a restricted asset for future expansion of the Water and Sewer system.

14. WATER AND SEWER CONTRACTS

The City has separate contracts with the Trinity River Authority of Texas (“TRA”) for the purchase of treated water and for the transportation, treatment and disposal of wastewater. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City’s proportionate share of TRA’s operating and maintenance expenses, related debt service costs, plus certain other miscellaneous charges.

Payments during 2014 for the purchase of treated water were \$7,497,617 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,205,070. If the City were unable to fulfill its obligations under the contracts, the only liability for future payment would be its proportionate share of debt service requirements. In addition, the City does not retain an ongoing financial interest in TRA and has no representation on the TRA Board; therefore, the TRA contracts are not considered to be joint venture agreements.

15. OTHER POSTEMPLOYMENT BENEFITS

Post-retirement Health Care Benefits

The City provides certain health care and life insurance benefits through a single-employer defined benefit OPEB plan, under City ordinance, for all full and part-time employees that meet eligibility requirements. Eligible individuals include retired employees who have satisfied the requirement as defined by the Texas Municipal Retirement System and their dependents that were covered prior to retirement. The requirement as defined by the Texas Municipal Retirement System is any age with 20 years of service or 5 years of service for age 60 and above. City Council members that serve three terms will be classified as retired employees when they leave office. Currently, the City has 576 active employees and 148 retirees and beneficiaries eligible to participate in the plan.

Retirees pay premiums for coverage in the OPEB programs. There is not a maximum employer paid premium amount (capped benefit). Active employees do not contribute to the retiree health care plan.

Retirees are eligible for medical, dental, vision, and prescription insurance until they become Medicare eligible. Retirees are also eligible for a \$20,000 life insurance policy. Once Medicare eligible, retirees are eligible for dental, vision, and life insurance only. At that time, the City medical plan will no longer be available. A supplement of \$250 will be made available to all retirees who either (1) retire after the age of 65 or (2) are covered pre-Medicare in the retiree medical program. Spouses of retirees will receive the \$250 supplement if they have been on the plan for one year prior to retirement.

Retirees are eligible for benefits immediately upon retirement. If the employee returns to work for an employer that offers health coverage, the retiree cannot rejoin the City's health plan at a later date.

In the event that an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by the Texas Municipal Retirement System; and (2) the employee had dependent coverage at the time of death. Coverage will continue under the plan as long as monthly retiree premiums are paid by the specified due date, until dependents are no longer considered eligible dependents as defined by the plan, until the covered dependent becomes Medicare eligible, or until a surviving spouse remarries.

When the retiree or eligible dependent becomes Medicare eligible, the City medical plan will no longer be available. Upon reaching Medicare eligibility retirees and their spouses may enroll in the Senior Insurance Plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of accrual that is projected recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost for the fiscal year ending September 30, 2014, is as follows:

Annual Required Contribution (ARC)	\$ 4,227,071
Interest on Net OPEB Obligation	586,691
Adjustment to the ARC	<u>(543,563)</u>
Annual OPEB Cost	4,270,199
Employer Contributions	<u>(1,128,111)</u>
Increase (Decrease) in Net OPEB Obligation	3,142,088
Net OPEB Obligation/(Asset), beginning of year	<u>13,037,576</u>
 Net Pension Obligation/(Asset), ending of year	 <u>\$ 16,179,664</u>

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. In addition to the employer contribution, the retirees paid \$159,396 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2012	3,849,319	573,011	15%	10,030,428
9/30/2013	4,137,132	1,129,984	27%	13,037,576
9/30/2014	4,270,199	1,128,111	26%	16,179,664

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	-	41,596,928	41,596,928	- %	35,493,723	117.20%

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level as a percentage of payroll
Remaining Amortization Period	30 years; open
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation rate	3% per annum
Investment Rate of Return	4.5%, net of expenses
Payroll Growth Rate	3% per annum
General Inflation Rate	3%
Health Care Trend	Initial rate of 7.5% declining to an ultimate rate of 5% after 8 years

There is no separately issued audited benefit plan report available for the City's OPEB plan.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

16. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2014, expenditures exceeded appropriations in the Hotel Occupancy Tax Fund (the legal level of budgetary control) by \$551,353. Expenditures exceeded appropriations in the 4B – Transit Fund (the legal level of budgetary control) by \$286,507.

17. SUBSEQUENT EVENT

On January 23, 2015, the City issued \$14,695,000 of General Obligation Refunding Bonds Series 2015, \$20,565,000 of Combination Tax and Tax Increment Reinvestment Zone Number Two Revenue Refunding Bonds, Series 2015, and \$11,720,000 of Combination Tax and Revenue Certificates of Obligation Series 2015. The proceeds of the General Obligation Refunding Bonds Series 2015 will be used to refund \$10,195,000 of previously issued general obligation bonds and certificates of obligation. The proceeds of the Combination Tax and Tax Increment Reinvestment Zone Number Two Revenue Refunding Bonds, Series 2015 will be used to refund \$22,670,000 of previously issued combination tax and tax increment reinvestment zone revenue refunding bonds. Proceeds from the sale of the Combination Tax and Revenue Certificates of Obligation Series 2015 will be used for the construction and improvements to the City's waterworks and sewer system, acquiring equipment and vehicles for the public safety, fire, and public works departments, and constructing a public parking lot in downtown Grapevine.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GRAPEVINE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 41,558,150	\$ 41,558,150	\$ 43,187,246	\$ 1,629,096
Licenses and permits	1,271,049	1,271,049	1,337,367	66,318
Intergovernmental	78,982	78,982	78,982	-
Charges for services	3,526,942	3,526,942	3,504,683	(22,259)
Fines and forfeitures	2,251,030	2,251,030	2,362,434	111,404
Investment income	51,500	51,500	8,760	(42,740)
Miscellaneous	243,000	243,000	394,009	151,009
Total revenues	48,980,653	48,980,653	50,873,481	1,892,828
EXPENDITURES				
Current:				
General government	15,744,051	16,045,150	15,081,043	964,107
Public safety	13,496,714	13,536,202	13,401,973	134,229
Culture and recreation	9,359,719	9,559,629	9,725,575	(165,946)
Public works	5,630,317	5,621,572	5,383,091	238,481
Capital outlay	139,226	141,628	106,780	34,848
Debt service principal	-	-	173,556	(173,556)
Total expenditures	44,370,027	44,904,181	43,872,018	1,032,163
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	4,610,626	4,076,472	7,001,463	2,924,991
OTHER FINANCING SOURCES (USES)				
Transfers in	3,436,235	3,436,235	3,460,225	23,990
Transfers out	(8,660,000)	(9,485,000)	(9,513,014)	(28,014)
Sale of capital assets	-	-	7,876	7,876
Total other financing sources (uses)	(5,223,765)	(6,048,765)	(6,044,913)	3,852
NET CHANGE IN FUND BALANCES	(613,139)	(1,972,293)	956,550	2,928,843
FUND BALANCES, BEGINNING	11,961,680	11,961,680	11,961,680	-
FUND BALANCES, ENDING	\$ 11,348,541	\$ 9,989,387	\$ 12,918,230	\$ 2,928,843

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CITY OF GRAPEVINE, TEXAS
HOTEL OCCUPANCY TAX
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 12,899,725	\$ 12,899,725	\$ 14,025,119	\$ 1,125,394
Charges for services	6,528,271	6,528,271	6,435,935	(92,336)
Investment income	9,000	9,000	11,052	2,052
Miscellaneous	<u>99,000</u>	<u>99,000</u>	<u>125,143</u>	<u>26,143</u>
Total revenues	<u>19,535,996</u>	<u>19,535,996</u>	<u>20,597,249</u>	<u>1,061,253</u>
EXPENDITURES				
Current:				
Culture and recreation	14,897,507	14,956,067	15,470,020	(513,953)
Capital outlay	<u>-</u>	<u>-</u>	<u>37,400</u>	<u>(37,400)</u>
Total expenditures	<u>14,897,507</u>	<u>14,956,067</u>	<u>15,507,420</u>	<u>(551,353)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>4,638,489</u>	<u>4,579,929</u>	<u>5,089,829</u>	<u>509,900</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	385,458	385,458	393,193	7,735
Transfers out	<u>(3,812,600)</u>	<u>(3,733,600)</u>	<u>(4,185,984)</u>	<u>(452,384)</u>
Total other financing sources (uses)	<u>(3,427,142)</u>	<u>(3,348,142)</u>	<u>(3,792,791)</u>	<u>(444,649)</u>
NET CHANGE IN FUND BALANCES	1,211,347	1,231,787	1,297,038	65,251
FUND BALANCES, BEGINNING	<u>5,271,200</u>	<u>5,271,200</u>	<u>5,271,200</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 6,482,547</u>	<u>\$ 6,502,987</u>	<u>\$ 6,568,238</u>	<u>\$ 65,251</u>

CITY OF GRAPEVINE, TEXAS
CRIME DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 12,350,000	\$ 12,350,000	\$ 12,630,599	\$ 280,599
Investment income	5,075	5,075	760	(4,315)
Miscellaneous	-	-	<u>1,642</u>	<u>1,642</u>
Total revenues	<u>12,355,075</u>	<u>12,355,075</u>	<u>12,633,001</u>	<u>277,926</u>
EXPENDITURES				
Current:				
Public safety	13,876,713	13,872,675	13,416,116	456,559
Capital outlay	-	-	<u>18,080</u>	<u>(18,080)</u>
Total expenditures	<u>13,876,713</u>	<u>13,872,675</u>	<u>13,434,196</u>	<u>438,479</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,521,638)</u>	<u>(1,517,600)</u>	<u>(801,195)</u>	<u>716,405</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,175,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,175,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(346,638)	(517,600)	198,805	716,405
FUND BALANCES, BEGINNING	<u>414,164</u>	<u>414,164</u>	<u>414,164</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 67,526</u>	<u>\$ (103,436)</u>	<u>\$ 612,969</u>	<u>\$ 716,405</u>

CITY OF GRAPEVINE, TEXAS

4B - ECONOMIC DEVELOPMENT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 3,159,375	\$ 3,159,375	\$ 3,771,644	\$ 612,269
Investment income	<u>35,000</u>	<u>35,000</u>	<u>6,961</u>	(28,039)
Total revenues	<u>3,194,375</u>	<u>3,194,375</u>	<u>3,778,605</u>	<u>584,230</u>
EXPENDITURES				
Current:				
General government	-	272,927	91,819	181,108
Economic development	6,116	117,919	117,919	-
Capital outlay	-	29,498,663	29,498,663	-
Debt Service:				
Interest and fiscal charges	-	442,689	442,689	-
Other	<u>-</u>	<u>252,928</u>	<u>252,928</u>	<u>-</u>
Total expenditures	<u>6,116</u>	<u>30,585,126</u>	<u>30,404,018</u>	<u>181,108</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>3,188,259</u>	<u>(27,390,751)</u>	<u>(26,625,413)</u>	<u>765,338</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	2,000,000	2,000,000	-
Transfers out	(244,922)	(283,450)	(283,450)	-
Issuance of debt	<u>-</u>	<u>-</u>	<u>19,500,000</u>	<u>19,500,000</u>
Total other financing sources (uses)	<u>(244,922)</u>	<u>1,716,550</u>	<u>21,216,550</u>	<u>19,500,000</u>
NET CHANGE IN FUND BALANCES	2,943,337	(25,674,201)	(5,408,863)	20,265,338
FUND BALANCES, BEGINNING	<u>15,742,386</u>	<u>15,742,386</u>	<u>15,742,386</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 18,685,723</u>	<u>\$ (9,931,815)</u>	<u>\$ 10,333,523</u>	<u>\$ 20,265,338</u>

CITY OF GRAPEVINE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION
IN TEXAS MUNICIPAL RETIREMENT SYSTEM**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2011	\$ 143,043,423	\$ 186,688,189	76.6%	\$ 43,644,766	\$ 34,504,224	126.5%
12/31/2012	156,289,479	198,037,309	78.9%	41,747,830	34,807,908	119.9%
12/31/2013	170,915,653	219,925,733	77.7%	49,010,080	35,984,243	136.2%

CITY OF GRAPEVINE, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
12/31/2008	\$ -	\$ 23,744,606	0.0%	\$ 23,744,606	\$ 34,375,838	69.1%
12/31/2010	-	36,241,223	0.0%	36,241,223	35,278,020	102.7%
12/31/2012	-	41,596,928	0.0%	41,596,928	35,493,723	117.2%

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CITY OF GRAPEVINE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgets

The City follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 15, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council, after public hearings. Total expenditures may not exceed appropriations at the individual fund level.
- (5) Budgets are legally adopted for the General Fund, Hotel Occupancy Tax Fund (a Special Revenue Fund), the Crime District Fund (a Special Revenue Fund), the 4B – Economic Development Fund (a Special Revenue Fund), the Debt Service Fund, the 4B – Transit Fund (a Special Revenue Fund) and Enterprise Funds. Budgetary control is maintained at the fund level.
- (6) Budgets for the General, Hotel Occupancy Tax Special Revenue, Crime District Special Revenue, 4B-Transit Fund, and Debt Service Fund are adopted in accordance with generally accepted accounting principles. Budget amounts are as amended by the City Council and adjusted for transfers of budgeted amounts between departments within any fund, authorized by the City Manager.
- (7) Budgetary comparison schedules are presented as required supplementary information for the General Fund and for each major special revenue fund. Capital Projects Funds have not been presented as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly, formal budgetary integration of these funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.
- (8) The budgetary comparison schedules included in the required supplementary information present a comparison of budgetary data to actual results of operations for the General Fund, Hotel Occupancy Tax Fund (Special Revenue Fund), Crime District Fund (Special Revenue Fund) and 4B-Economic Development Fund (Special Revenue Fund). A comparison of budgetary data to actual results of operations for the Debt Service Fund and 4B-Transit Fund are presented as supplementary information.

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**COMBINING AND INDIVIDUAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

Special Revenue Fund– to account for revenues that are restricted in name for a special purpose limited by state law and management intentions for expenditures. These funds include monies for state and federal forfeitures, copier service and replacement, library and parks programs and policy in-service training.

Storm Drainage Fund – to account for the services in the management and acquisition of capital for storm water drainage utility projects in the City.

Lake Parks Fund – to account for revenues from the campgrounds at Lake Grapevine. Revenues are restricted in accordance with Army Corp. of Engineer requirements and for debt covenant requirements for bonds issued for campground construction.

4B Transit Fund – is used to account for the accumulation and expenditure of resources used to fund the City of Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (the "T").

Grant Fund – is used to account for federal and state funded grants.

DEBT SERVICE FUND

Debt Fund – is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The Tax Increment Financing (TIF) Number Two Debt Service Fund – established by ordinances authorizing the issuance of Combination Tax and Tax Increment Reinvestment Zone Certificate of Obligation Series 2000. A property tax is levied for the payment of the debt as it becomes due and is currently payable in annual installments as it becomes due.

CAPITAL PROJECTS FUNDS

Capital Projects Funds – used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The Tax Increment Financing (TIF) Number One Capital Projects Fund – established for the financing, acquisition and construction of the infrastructure surrounding the Grapevine Mills Mall.

The Tax Increment Financing (TIF) Number Two Capital Projects Fund – established for the financing, acquisition and construction of the infrastructure surrounding Gaylord Texas Resort and Convention Center.

Street Maintenance and Capital Replacement Fund – to account for resources provided and expended on street maintenance and capital replacements.

Capital Acquisition Fund – to account for financial resources for the replacement and acquisition of capital assets.

Quality of Life Fund – to account for capital projects as designated by the City Council.

CITY OF GRAPEVINE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Special Revenue				
	Special Revenue	Storm Drainage	Lake Parks	4B-Transit Fund	Grant
ASSETS					
Cash	\$ 2,961,646	\$ 1,385,640	\$ 2,177	\$ 405,754	\$ 4,164
Receivables:					
Accounts, net	12,692	153,323	4,558	-	-
Taxes	-	-	-	1,568,157	-
Accrued interest	177	63	-	26	-
Inventory	-	-	14,362	-	-
Due from other governments	-	-	-	-	10,269
Total assets	<u>\$ 2,974,515</u>	<u>\$ 1,539,026</u>	<u>\$ 21,097</u>	<u>\$ 1,973,937</u>	<u>\$ 14,433</u>
LIABILITIES					
Liabilities:					
Accounts payable	\$ 23,886	\$ 165,400	\$ 133,820	\$ 1,514,677	\$ 33
Accrued and other liabilities	5,810	12,335	4,504	-	-
Due to other funds	-	-	681,490	-	17,233
Unearned revenue	-	-	301,888	-	-
Total liabilities	<u>29,696</u>	<u>177,735</u>	<u>1,121,702</u>	<u>1,514,677</u>	<u>17,266</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	-	-	-	-	4,938
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,938</u>
FUND BALANCES (DEFICITS)					
Nonspendable:					
Inventory	-	-	14,362	-	-
Restricted:					
Debt service	-	-	-	-	-
Capital projects	-	371,562	-	-	-
Public safety	675,348	-	-	-	-
Transportation	-	-	-	459,260	-
Culture and recreation	48,034	-	-	-	-
Committed for:					
Stormwater drainage operations	-	989,729	-	-	-
Public arts	841,052	-	-	-	-
Assigned for:					
Capital projects	648,775	-	-	-	-
Culture and recreation	731,610	-	-	-	-
Unassigned	-	-	(1,114,967)	-	(7,771)
Total fund balances	<u>2,944,819</u>	<u>1,361,291</u>	<u>(1,100,605)</u>	<u>459,260</u>	<u>(7,771)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,974,515</u>	<u>\$ 1,539,026</u>	<u>\$ 21,097</u>	<u>\$ 1,973,937</u>	<u>\$ 14,433</u>

Debt Service		Capital Projects				Total Other Governmental Funds	
TIF #2	TIF #1	TIF #2	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life		
\$ 6,516,651	\$ 1,602,996	\$ 2,148,596	\$ 1,916,234	\$ 5,182,674	\$ 8,321,813	\$ 30,448,345	
-	-	-	-	-	8,000	178,573	
-	-	-	-	-	-	1,568,157	
393	96	-	114	199	501	1,569	
-	-	-	-	-	-	14,362	
-	-	-	16,387	-	-	26,656	
<u>\$ 6,517,044</u>	<u>\$ 1,603,092</u>	<u>\$ 2,148,596</u>	<u>\$ 1,932,735</u>	<u>\$ 5,182,873</u>	<u>\$ 8,330,314</u>	<u>\$ 32,237,662</u>	
\$ -	\$ -	\$ -	\$ 63,065	\$ 108,948	\$ 26,109	\$ 2,035,938	
-	-	-	-	1,742	-	24,391	
-	-	-	-	-	-	698,723	
-	-	-	-	-	-	301,888	
-	-	-	63,065	110,690	26,109	3,060,940	
-	-	-	16,387	-	-	21,325	
-	-	-	16,387	-	-	21,325	
-	-	-	-	-	-	14,362	
6,517,044	-	-	-	-	-	6,517,044	
-	1,603,092	2,148,596	-	2,495,971	-	6,619,221	
-	-	-	-	-	-	675,348	
-	-	-	-	-	-	459,260	
-	-	-	-	-	-	48,034	
-	-	-	-	-	-	989,729	
-	-	-	-	-	-	841,052	
-	-	-	1,853,283	2,576,212	8,304,205	13,382,475	
-	-	-	-	-	-	731,610	
-	-	-	-	-	-	(1,122,738)	
<u>6,517,044</u>	<u>1,603,092</u>	<u>2,148,596</u>	<u>1,853,283</u>	<u>5,072,183</u>	<u>8,304,205</u>	<u>29,155,397</u>	
<u>\$ 6,517,044</u>	<u>\$ 1,603,092</u>	<u>\$ 2,148,596</u>	<u>\$ 1,932,735</u>	<u>\$ 5,182,873</u>	<u>\$ 8,330,314</u>	<u>\$ 32,237,662</u>	

CITY OF GRAPEVINE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue				
	Special Revenue	Storm Drainage	Lake Parks	4B-Transit Fund	Grant
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	9,240,844	-
Charges for services	270,922	1,383,959	2,159,317	-	-
Fines and forfeitures	50,088	-	-	-	-
Intergovernmental	4,106	-	-	-	121,554
Contributions	168,568	-	-	-	-
Investment income	1,867	795	-	375	-
Miscellaneous	6,420	-	50,355	-	2
Total revenues	<u>501,971</u>	<u>1,384,754</u>	<u>2,209,672</u>	<u>9,241,219</u>	<u>121,556</u>
EXPENDITURES					
Current:					
General government	200,708	-	-	-	-
Public safety	8,342	-	-	-	102,413
Culture and recreation	60,509	-	1,903,597	-	-
Public works	-	834,402	-	-	-
Transportation	-	-	-	8,829,174	-
Capital outlay	1,761	579,704	91,723	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	-	2,530	-	-
Total expenditures	<u>271,320</u>	<u>1,414,106</u>	<u>1,997,850</u>	<u>8,829,174</u>	<u>102,413</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>230,651</u>	<u>(29,352)</u>	<u>211,822</u>	<u>412,045</u>	<u>19,143</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	28,726
Transfers out	(23,607)	(633,444)	(491,497)	(365,179)	(53,157)
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>(23,607)</u>	<u>(633,444)</u>	<u>(491,497)</u>	<u>(365,179)</u>	<u>(24,431)</u>
NET CHANGE IN FUND BALANCES	207,044	(662,796)	(279,675)	46,866	(5,288)
FUND BALANCES, BEGINNING	<u>2,737,775</u>	<u>2,024,087</u>	<u>(820,930)</u>	<u>412,394</u>	<u>(2,483)</u>
FUND BALANCES, ENDING	<u>\$ 2,944,819</u>	<u>\$ 1,361,291</u>	<u>\$(1,100,605)</u>	<u>\$ 459,260</u>	<u>\$(7,771)</u>

Debt Service		Capital Projects					Total Other Governmental Funds
TIF #2	TIF #1	TIF #2	Street Maintenance and Capital Replacement	Capital Acquisition	Quality of Life		
\$ 5,878,139	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,878,139	
-	-	-	-	-	-	9,240,844	
-	-	-	-	-	-	3,814,198	
-	-	-	-	-	-	50,088	
-	-	-	-	-	-	125,660	
-	-	-	-	-	-	168,568	
3,813	1,314	723	855	2,734	3,734	16,210	
-	-	-	-	16,122	158,000	230,899	
<u>5,881,952</u>	<u>1,314</u>	<u>723</u>	<u>855</u>	<u>18,856</u>	<u>161,734</u>	<u>19,524,606</u>	
-	-	-	237,378	-	-	438,086	
-	-	-	94,739	180,958	10,118	396,570	
-	-	-	160,896	140,079	245,981	2,511,062	
-	-	-	1,878,937	-	238,543	2,951,882	
2,446,100	-	-	-	-	-	11,275,274	
-	1,975	-	372,886	2,702,013	1,756,817	5,506,879	
1,400,000	-	-	-	-	-	1,400,000	
1,280,786	-	-	-	-	-	1,280,786	
-	-	1,200	-	6,780	-	10,510	
<u>5,126,886</u>	<u>1,975</u>	<u>1,200</u>	<u>2,744,836</u>	<u>3,029,830</u>	<u>2,251,459</u>	<u>25,771,049</u>	
<u>755,066</u>	<u>(661)</u>	<u>(477)</u>	<u>(2,743,981)</u>	<u>(3,010,974)</u>	<u>(2,089,725)</u>	<u>(6,246,443)</u>	
-	22,571	-	2,809,000	1,887,971	3,000,000	7,748,268	
-	(1,000,000)	-	-	(245,350)	-	(2,812,234)	
-	-	-	-	241,792	-	241,792	
-	<u>(977,429)</u>	<u>-</u>	<u>2,809,000</u>	<u>1,884,413</u>	<u>3,000,000</u>	<u>5,177,826</u>	
755,066	(978,090)	(477)	65,019	(1,126,561)	910,275	(1,068,617)	
<u>5,761,978</u>	<u>2,581,182</u>	<u>2,149,073</u>	<u>1,788,264</u>	<u>6,198,744</u>	<u>7,393,930</u>	<u>30,224,014</u>	
<u>\$ 6,517,044</u>	<u>\$ 1,603,092</u>	<u>\$ 2,148,596</u>	<u>\$ 1,853,283</u>	<u>\$ 5,072,183</u>	<u>\$ 8,304,205</u>	<u>\$ 29,155,397</u>	

CITY OF GRAPEVINE, TEXAS

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 11,776,680	\$ 11,776,680	\$ 11,775,218	\$ (1,462)
Investment income	75,000	75,000	9,723	(65,277)
Total revenues	<u>11,851,680</u>	<u>11,851,680</u>	<u>11,784,941</u>	<u>(66,739)</u>
EXPENDITURES				
Debt service:				
Principal	9,217,317	9,217,317	8,980,045	237,272
Interest and fiscal charges	5,119,279	5,119,279	4,708,525	410,754
Other	7,000	7,000	1,538	5,462
Total expenditures	<u>14,343,596</u>	<u>14,343,596</u>	<u>13,690,108</u>	<u>653,488</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(2,491,916)</u>	<u>(2,491,916)</u>	<u>(1,905,167)</u>	<u>586,749</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,754,916	2,754,916	2,705,916	(49,000)
Total other financing sources (uses)	<u>2,754,916</u>	<u>2,754,916</u>	<u>2,705,916</u>	<u>(49,000)</u>
NET CHANGE IN FUND BALANCE	263,000	263,000	800,749	537,749
FUND BALANCE, BEGINNING	<u>16,119,415</u>	<u>16,119,415</u>	<u>16,119,415</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 16,382,415</u>	<u>\$ 16,382,415</u>	<u>\$ 16,920,164</u>	<u>\$ 537,749</u>

CITY OF GRAPEVINE, TEXAS

4B - TRANSIT

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Sales taxes	\$ 9,478,125	\$ 9,478,125	\$ 9,240,844	\$(237,281)
Investment income	<u>2,500</u>	<u>2,500</u>	<u>375</u>	<u>(2,125)</u>
Total revenues	<u>9,480,625</u>	<u>9,480,625</u>	<u>9,241,219</u>	<u>(239,406)</u>
EXPENDITURES				
Current:				
Transportation	<u>8,542,667</u>	<u>8,542,667</u>	<u>8,829,174</u>	<u>(286,507)</u>
Total expenditures	<u>8,542,667</u>	<u>8,542,667</u>	<u>8,829,174</u>	<u>(286,507)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>937,958</u>	<u>937,958</u>	<u>412,045</u>	<u>(525,913)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(385,458)</u>	<u>(385,458)</u>	<u>(365,179)</u>	<u>20,279</u>
Total other financing sources (uses)	<u>(385,458)</u>	<u>(385,458)</u>	<u>(365,179)</u>	<u>20,279</u>
NET CHANGE IN FUND BALANCE	552,500	552,500	46,866	(505,634)
FUND BALANCE, BEGINNING	<u>412,394</u>	<u>412,394</u>	<u>412,394</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 964,894</u>	<u>\$ 964,894</u>	<u>\$ 459,260</u>	<u>\$(505,634)</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Police Department Case Settlement			
	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Cash and cash equivalents	\$ 12,854	\$ 5,422	\$ -	\$ 18,276
Total assets	<u>\$ 12,854</u>	<u>\$ 5,422</u>	<u>\$ -</u>	<u>\$ 18,276</u>
Due to beneficiary	\$ 12,854	\$ 5,422	\$ -	\$ 18,276
Total liabilities	<u>\$ 12,854</u>	<u>\$ 5,422</u>	<u>\$ -</u>	<u>\$ 18,276</u>

	Industrial Development Corporation			
	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Cash and cash equivalents	\$ 130,236	\$ 51	\$ -	\$ 130,287
Total assets	<u>\$ 130,236</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 130,287</u>
Due to beneficiary	\$ 130,236	\$ 51	\$ -	\$ 130,287
Total liabilities	<u>\$ 130,236</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 130,287</u>

	W.D. Tate Scholarship			
	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Cash and cash equivalents	\$ 11,381	\$ 8	\$ -	\$ 11,389
Total assets	<u>\$ 11,381</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 11,389</u>
Due to beneficiary	\$ 11,381	\$ 8	\$ -	\$ 11,389
Total liabilities	<u>\$ 11,381</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 11,389</u>

CITY OF GRAPEVINE, TEXAS
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES

AGENCY FUNDS
(Continued)
YEAR ENDED SEPTEMBER 30, 2014

	Total Agency Funds			Balance 9/30/2014
	Balance 10/1/2013	Additions	Deletions	
Cash and cash equivalents	\$ 154,471	\$ 5,481	\$ -	\$ 159,952
Total assets	<u>\$ 154,471</u>	<u>\$ 5,481</u>	<u>\$ -</u>	<u>\$ 159,952</u>
Due to beneficiary	\$ 154,471	\$ 5,481	\$ -	\$ 159,952
Total liabilities	<u>\$ 154,471</u>	<u>\$ 5,481</u>	<u>\$ -</u>	<u>\$ 159,952</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Grapevine, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends	75 – 86
<p>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	
Revenue Capacity	87 – 92
<p>These schedules contain information to help the reader assess the City's most significant local revenue sources. Sales tax became the most significant revenue source in FY 2007. Beginning in FY 2010, sales tax revenue information became available to the City and is in Tables 5 and 6. Information about principal sales tax revenue payers is confidential under Texas statutes and is not provided. Additionally, information about the City's second most significant local revenue source, the property tax, is provided.</p>	
Debt Capacity	93 – 98
<p>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	
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<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	
Operating Information	101 – 103
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF GRAPEVINE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets	\$ 16,729	\$ 21,862	\$ 28,660	\$ 39,332
Restricted	14,625	21,049	32,626	34,200
Unrestricted	<u>12,957</u>	<u>16,653</u>	<u>18,198</u>	<u>29,360</u>
Total governmental activities net position	<u>\$ 44,311</u>	<u>\$ 59,564</u>	<u>\$ 79,484</u>	<u>\$ 102,892</u>
Business-type activities:				
Net investment in capital assets	\$ 60,931	\$ 63,936	\$ 65,750	\$ 68,641
Restricted	6,421	6,784	7,228	7,365
Unrestricted	<u>10,407</u>	<u>13,012</u>	<u>14,382</u>	<u>13,790</u>
Total business-type activities net position	<u>\$ 77,759</u>	<u>\$ 83,732</u>	<u>\$ 87,360</u>	<u>\$ 89,796</u>
Primary government:				
Net investment in capital assets	\$ 77,660	\$ 85,798	\$ 94,410	\$ 107,973
Restricted	21,046	27,833	39,854	41,565
Unrestricted	<u>23,364</u>	<u>29,665</u>	<u>32,580</u>	<u>43,150</u>
Total primary government net position	<u>\$ 122,070</u>	<u>\$ 143,296</u>	<u>\$ 166,844</u>	<u>\$ 192,688</u>

Source: Comprehensive Annual Financial Reports

TABLE 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 57,264	\$ 73,702	\$ 84,069	\$ 88,342	\$ 114,212	\$ 139,392
40,419	55,622	61,712	71,909	78,377	74,312
<u>25,626</u>	<u>13,109</u>	<u>10,421</u>	<u>14,469</u>	<u>(3,570)</u>	<u>(10,147)</u>
<u>\$ 123,309</u>	<u>\$ 142,433</u>	<u>\$ 156,202</u>	<u>\$ 174,720</u>	<u>\$ 189,019</u>	<u>\$ 203,557</u>
\$ 68,785	\$ 70,055	\$ 70,771	\$ 70,171	\$ 74,750	\$ 77,872
7,097	6,732	7,133	8,969	8,032	2,612
<u>14,238</u>	<u>11,924</u>	<u>11,240</u>	<u>10,530</u>	<u>6,912</u>	<u>11,590</u>
<u>\$ 90,120</u>	<u>\$ 88,711</u>	<u>\$ 89,144</u>	<u>\$ 89,670</u>	<u>\$ 89,694</u>	<u>\$ 92,074</u>
\$ 126,049	\$ 143,757	\$ 154,840	\$ 158,513	\$ 172,921	\$ 217,264
47,516	62,354	68,845	80,878	86,409	76,924
<u>39,864</u>	<u>25,033</u>	<u>21,661</u>	<u>24,999</u>	<u>19,382</u>	<u>1,443</u>
<u>\$ 213,429</u>	<u>\$ 231,144</u>	<u>\$ 245,346</u>	<u>\$ 264,390</u>	<u>\$ 278,712</u>	<u>\$ 295,631</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
EXPENSES				
Governmental activities:				
General government	\$ 14,564	\$ 13,964	\$ 19,150	\$ 17,898
Public safety	19,094	19,174	20,732	23,701
Culture and recreation	17,055	19,978	21,914	26,753
Public works	9,077	9,502	12,777	18,573
Transportation	-	-	-	-
Economic development	-	-	-	-
Interest on long-term debt	5,993	6,579	6,634	6,403
Total governmental activities expenses	<u>65,783</u>	<u>69,197</u>	<u>81,207</u>	<u>93,328</u>
Business-type activities:				
Water and sewer	14,975	15,944	15,494	17,415
Lake Enterprise	2,673	2,664	2,668	2,786
Total business-type activities expenses	<u>17,648</u>	<u>18,608</u>	<u>18,162</u>	<u>20,201</u>
Total primary government expenses	<u>\$ 83,431</u>	<u>\$ 87,805</u>	<u>\$ 99,369</u>	<u>\$ 113,529</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines, and charges for services:				
General government	\$ 1,362	\$ 1,148	\$ 3,535	\$ 4,071
Public safety	2,029	3,282	3,280	3,597
Culture and recreation	5,369	6,306	6,908	7,479
Public works	2,877	2,782	3,085	1,372
Operating grants and contributions	1,944	805	2,310	1,629
Capital grants and contributions	2,732	3,759	785	1,891
Total governmental activities program revenues	<u>16,313</u>	<u>18,082</u>	<u>19,903</u>	<u>20,039</u>
Business-type activities:				
Charges for services:				
Water and sewer	17,929	20,348	17,689	18,893
Lake Enterprise	2,630	2,890	2,712	2,862
Capital grants and contributions	1,049	1,690	833	1,331
Total business-type activities program revenues	<u>21,608</u>	<u>24,928</u>	<u>21,234</u>	<u>23,086</u>
Total primary government program revenues	<u>\$ 37,921</u>	<u>\$ 43,010</u>	<u>\$ 41,137</u>	<u>\$ 43,125</u>

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 19,245	\$ 19,048	\$ 22,526	\$ 18,370	\$ 18,602	\$ 16,348
26,031	27,095	27,588	28,264	28,309	30,039
25,657	27,175	26,673	27,954	29,578	31,549
18,670	19,136	10,563	11,056	12,216	13,689
-	-	7,901	7,789	8,620	11,275
-	-	3,394	4,040	3,609	1,405
5,093	5,432	5,140	4,590	4,095	6,029
<u>94,696</u>	<u>97,886</u>	<u>103,785</u>	<u>102,063</u>	<u>105,029</u>	<u>110,335</u>
17,160	17,647	18,972	18,372	18,807	19,763
2,885	2,955	3,062	3,053	3,156	2,764
<u>20,045</u>	<u>20,602</u>	<u>22,034</u>	<u>21,425</u>	<u>21,963</u>	<u>22,527</u>
\$ <u>114,741</u>	\$ <u>118,488</u>	\$ <u>125,819</u>	\$ <u>123,488</u>	\$ <u>126,992</u>	\$ <u>132,862</u>
\$ 3,771	\$ 4,039	\$ 4,250	\$ 2,547	\$ 2,013	\$ 1,992
3,759	3,660	3,346	3,736	3,971	4,109
7,829	8,530	9,198	10,099	10,012	10,531
1,344	1,467	1,378	1,418	1,486	1,504
957	1,060	1,212	1,124	526	275
5,204	3,819	1,302	810	108	203
<u>22,864</u>	<u>22,575</u>	<u>20,686</u>	<u>19,734</u>	<u>18,116</u>	<u>18,614</u>
17,950	18,523	21,168	20,481	20,185	23,667
2,649	2,377	2,862	3,079	3,120	3,017
674	274	26,685	-	-	-
<u>21,273</u>	<u>21,174</u>	<u>50,715</u>	<u>23,560</u>	<u>23,305</u>	<u>26,684</u>
\$ <u>44,137</u>	\$ <u>43,749</u>	\$ <u>71,401</u>	\$ <u>43,294</u>	\$ <u>41,421</u>	\$ <u>45,298</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN NET POSITION

(Continued)

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
NET (EXPENSE) REVENUES				
Governmental activities	\$(49,470)	\$(51,115)	\$(61,304)	\$(73,289)
Business-type activities	<u>3,960</u>	<u>6,320</u>	<u>3,072</u>	<u>2,885</u>
Total primary government net expense	<u>(45,510)</u>	<u>(44,795)</u>	<u>(58,232)</u>	<u>(70,404)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	26,066	26,046	27,066	27,974
Franchise	5,369	5,945	6,191	6,295
Hotel occupancy	7,566	9,194	10,126	11,842
Sales	18,746	19,993	31,827	45,098
Mixed beverage	863	952	1,128	1,295
Investment earnings	1,099	2,187	3,257	2,520
Miscellaneous	101	310	124	-
Gain on sale of capital assets	-	-	-	-
Transfers	<u>1,501</u>	<u>1,741</u>	<u>1,505</u>	<u>1,673</u>
Total governmental activities	<u>61,311</u>	<u>66,368</u>	<u>81,224</u>	<u>96,697</u>
Business-type activities:				
Investment earnings	648	1,035	1,437	1,046
Miscellaneous	323	359	624	178
Transfers	<u>(1,501)</u>	<u>(1,741)</u>	<u>(1,505)</u>	<u>(1,673)</u>
Total business-type activities	<u>(530)</u>	<u>(347)</u>	<u>556</u>	<u>(449)</u>
Total primary government	<u>60,781</u>	<u>66,021</u>	<u>81,780</u>	<u>96,248</u>
CHANGE IN NET POSITION				
Governmental activities	11,841	15,253	19,920	23,408
Business-type activities	<u>3,430</u>	<u>5,973</u>	<u>3,628</u>	<u>2,436</u>
Total primary government	<u>\$ 15,271</u>	<u>\$ 21,226</u>	<u>\$ 23,548</u>	<u>\$ 25,844</u>

Notes:

In April 2007, the City increased sales tax local option from 1% to 2% resulting in additional sales tax revenues of \$10,614 in FY 2007.

For FY 2008, the City had \$11,561 in additional sales tax revenues due to the increase in the sales tax local option from 1% to 2%. This was the first year to have 12 months (annual) with this increase.

Source: Comprehensive Annual Financial Reports

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$(71,832)	\$(75,311)	\$(83,099)	\$(82,329)	\$(86,913)	\$(91,720)
<u>1,228</u>	<u>572</u>	<u>1,996</u>	<u>2,135</u>	<u>1,342</u>	<u>4,158</u>
<u>(70,604)</u>	<u>(74,739)</u>	<u>(81,103)</u>	<u>(80,194)</u>	<u>(85,571)</u>	<u>(87,562)</u>
30,385	33,092	29,559	32,048	29,979	30,917
6,319	6,133	6,401	6,356	6,618	6,785
10,498	10,725	12,105	12,327	12,772	14,025
40,712	42,000	45,572	46,932	49,047	52,020
1,188	1,226	1,223	1,051	1,159	1,567
1,213	426	338	286	159	120
36	-	-	170	6	23
31	119	33	-	-	262
<u>1,867</u>	<u>2,064</u>	<u>1,638</u>	<u>1,677</u>	<u>1,471</u>	<u>1,661</u>
<u>92,249</u>	<u>95,785</u>	<u>96,869</u>	<u>100,847</u>	<u>101,211</u>	<u>107,380</u>
401	83	75	68	152	20
562	-	170	-	-	-
<u>(1,867)</u>	<u>(2,064)</u>	<u>(1,638)</u>	<u>(1,677)</u>	<u>(1,471)</u>	<u>(1,661)</u>
<u>(904)</u>	<u>(1,981)</u>	<u>(1,393)</u>	<u>(1,609)</u>	<u>(1,319)</u>	<u>(1,641)</u>
<u>91,345</u>	<u>93,804</u>	<u>95,476</u>	<u>99,238</u>	<u>99,892</u>	<u>105,739</u>
20,417	20,474	13,770	18,518	14,298	15,658
<u>324</u>	<u>(1,409)</u>	<u>432</u>	<u>526</u>	<u>23</u>	<u>2,517</u>
<u>\$ 20,741</u>	<u>\$ 19,065</u>	<u>\$ 14,202</u>	<u>\$ 19,044</u>	<u>\$ 14,321</u>	<u>\$ 18,175</u>

CITY OF GRAPEVINE, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Reserved**	\$ 1,290	\$ 691	\$ 667	\$ 727
Unreserved	3,981	5,904	7,562	8,190
Nonspendable*	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 5,271</u>	<u>\$ 6,595</u>	<u>\$ 8,229</u>	<u>\$ 8,917</u>
All other governmental funds				
Reserved for:				
Prepayments	\$ 392	\$ 64	\$ 76	\$ 91
Inventory	-	-	2	-
Debt service	15,478	21,906	26,778	29,863
Capital projects	14,810	20,983	284	6,249
Unreserved, reported in:				
Special revenue	1,724	4,071	7,289	10,002
Capital projects	4,391	4,484	28,753	24,982
Nonspendable:				
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Public safety	-	-	-	-
Economic development	-	-	-	-
Transportation	-	-	-	-
Culture and recreation	-	-	-	-
Tourism	-	-	-	-
Committed for:				
Stormwater drainage operations	-	-	-	-
Public arts	-	-	-	-
Assigned for:				
Economic development	-	-	-	-
Capital projects	-	-	-	-
Culture and recreation	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 36,795</u>	<u>\$ 51,508</u>	<u>\$ 63,182</u>	<u>\$ 71,187</u>

Note:

* Includes inventory, advances to other funds, and prepaid items.

** The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Source: Comprehensive Annual Financial Reports

TABLE 3

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 632	\$ 714	\$ -	\$ -	\$ -	\$ -
8,105	7,468	-	-	-	-
-	-	657	653	659	600
-	-	8,938	11,742	11,303	12,318
<u>\$ 8,737</u>	<u>\$ 8,182</u>	<u>\$ 9,595</u>	<u>\$ 12,395</u>	<u>\$ 11,962</u>	<u>\$ 12,918</u>
\$ 583	\$ 118	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
31,784	40,700	-	-	-	-
20,566	16,861	-	-	-	-
9,238	11,347	-	-	-	-
18,631	20,426	-	-	-	-
-	-	15	18	18	15
-	-	42	14	4	23
-	-	26,713	28,858	29,051	28,234
-	-	19,863	17,655	90,741	68,131
-	-	836	1,078	1,088	1,288
-	-	28,985	35,493	41,198	40,137
-	-	345	369	412	459
-	-	264	152	41	48
-	-	4,605	5,954	5,268	6,544
-	-	3,005	3,179	2,024	990
-	-	453	600	697	841
-	-	-	-	-	1,717
-	-	9,322	10,627	8,043	13,382
-	-	841	635	677	732
-	-	(1,822)	(1,777)	(841)	(1,123)
<u>\$ 80,802</u>	<u>\$ 89,452</u>	<u>\$ 93,467</u>	<u>\$ 102,855</u>	<u>\$ 178,421</u>	<u>\$ 161,418</u>

CITY OF GRAPEVINE, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
REVENUES				
Taxes:				
Property	\$ 25,607	\$ 26,296	\$ 26,913	\$ 27,945
Hotel occupancy	7,566	9,194	10,126	11,842
Sales	18,746	19,993	31,826	45,098
Mixed beverage	863	952	1,128	1,295
Franchise	5,369	5,945	6,191	6,295
Licenses and permits	1,530	1,550	1,776	1,227
Intergovernmental	1,945	1,042	931	673
Charges for services	9,839	11,209	12,987	12,489
Fines and forfeitures	1,713	1,860	1,607	2,197
Contributions	418	423	393	391
Interest and miscellaneous	2,156	4,895	4,354	4,354
Total revenues	<u>75,752</u>	<u>83,359</u>	<u>98,232</u>	<u>113,806</u>
EXPENDITURES				
General government	14,379	14,355	15,345	15,024
Public safety	17,187	17,527	19,047	20,589
Culture and recreation	15,071	17,015	19,470	21,982
Public works	4,945	4,840	4,514	4,674
Operations	2,954	2,262	6,552	14,168
Transportation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	8,425	8,235	8,290	10,295
Debt service:				
Principal	8,698	8,165	9,667	11,492
Interest and fiscal charges	6,053	6,575	6,599	6,370
Other	2,918	1,451	2,557	2,527
Total expenditures	<u>80,630</u>	<u>80,425</u>	<u>92,041</u>	<u>107,121</u>

TABLE 4

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	29,454	\$	34,225	\$	29,930	\$	32,147	\$	28,326	\$	33,470
	10,498		10,725		12,105		12,326		12,772		14,025
	40,712		42,000		45,572		46,932		49,047		52,020
	1,188		1,226		1,223		1,051		1,159		1,567
	6,319		6,133		6,401		6,356		6,618		6,785
	1,087		1,117		1,044		1,542		1,248		1,337
	3,000		4,525		1,505		1,012		1,175		430
	12,893		13,296		14,582		13,572		13,286		13,755
	2,208		2,126		1,712		2,017		2,258		2,413
	556		8		73		194		162		169
	2,108		2,407		1,741		1,192		731		872
	<u>110,023</u>		<u>117,788</u>		<u>115,888</u>		<u>118,341</u>		<u>116,782</u>		<u>126,843</u>
	15,435		16,367		17,681		13,979		13,714		15,611
	21,582		22,275		24,297		25,539		25,674		27,215
	21,714		22,677		23,495		24,832		26,202		27,707
	4,922		5,049		5,821		6,061		7,037		8,335
	13,485		13,819		-		-		-		-
	-		-		7,901		7,789		8,620		11,275
	-		-		3,405		4,543		3,609		1,405
	18,695		15,051		13,076		9,446		17,011		53,121
	11,880		12,096		12,328		11,164		11,462		12,664
	5,304		5,547		5,029		4,564		3,864		6,695
	2,535		1,050		30		25		394		269
	<u>115,552</u>		<u>113,931</u>		<u>113,063</u>		<u>107,942</u>		<u>117,587</u>		<u>164,297</u>

CITY OF GRAPEVINE, TEXAS

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

(Continued)

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$(4,878)	\$ 2,934	\$ 6,191	\$ 6,685
OTHER FINANCING SOURCES (USES)				
Bonds issued	46,245	-	5,610	260
Notes payable issued	-	11,385	-	-
Premium on issuance of debt	2,114	6	2	-
Bond discount	-	(29)	-	-
Payments to escrow agent	-	-	-	76
Sale of capital assets	(44,349)	-	-	-
Transfers in	7,037	4,084	7,757	16,531
Transfers out	(5,536)	(2,343)	(6,252)	(14,859)
Total other financing sources (uses)	<u>5,511</u>	<u>13,103</u>	<u>7,117</u>	<u>2,008</u>
NET CHANGE IN FUND BALANCES	<u>\$ 633</u>	<u>\$ 16,037</u>	<u>\$ 13,308</u>	<u>\$ 8,693</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>20.4%</u>	<u>20.4%</u>	<u>19.4%</u>	<u>18.4%</u>

Source: Comprehensive Annual Financial Reports

TABLE 4

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>\$ (5,529)</u>	<u>\$ 3,857</u>	<u>\$ 2,825</u>	<u>\$ 10,399</u>	<u>\$ (805)</u>	<u>\$ (37,454)</u>
45,825	8,565	500	-	78,640	19,500
-	-	309	-	-	-
2,184	344	-	-	3,455	-
-	-	-	-	-	-
(34,944)	(6,954)	-	-	(7,834)	-
32	219	155	112	204	250
17,415	14,510	17,593	15,244	19,768	18,507
<u>(15,548)</u>	<u>(12,446)</u>	<u>(15,955)</u>	<u>(13,568)</u>	<u>(18,297)</u>	<u>(16,846)</u>
<u>14,964</u>	<u>4,238</u>	<u>2,602</u>	<u>1,788</u>	<u>75,936</u>	<u>21,411</u>
<u>\$ 9,435</u>	<u>\$ 8,095</u>	<u>\$ 5,427</u>	<u>\$ 12,187</u>	<u>\$ 75,131</u>	<u>\$ (16,043)</u>
<u>20.4%</u>	<u>17.8%</u>	<u>16.8%</u>	<u>15.7%</u>	<u>14.7%</u>	<u>17.5%</u>

CITY OF GRAPEVINE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN FISCAL YEARS

(Amounts Expressed in Thousands)

Function/Program	2005	2006	2007 (1)	2008	2009	2010	2011	2012	2013	2014 (2)
Agriculture/forestry/fishing/hunting	\$ 132	\$ -	\$ -	\$ 113	\$ 107	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	28,216	36,231	36,212	33,550	27,636	19,347	23,201	32,162	38,720	33,378
Manufacturing	67,497	67,275	76,917	149,328	173,395	158,571	149,298	157,499	157,403	123,836
Wholesale trade	50,674	77,063	103,370	212,637	200,208	216,540	236,470	248,355	266,052	205,385
Retail trade	593,199	794,410	873,696	887,650	774,650	774,638	804,182	846,060	897,364	701,870
Transportation/warehousing	6,535	11,049	7,823	9,726	7,794	10,239	13,817	11,893	13,751	9,777
Information	29,796	33,492	22,968	22,836	28,136	29,311	36,209	42,137	49,559	44,293
Finance/insurance	8,812	5,532	4,711	4,641	1,379	964	1,049	993	804	617
Professional/scientific/technical	18,828	32,869	47,792	85,256	23,165	15,745	15,485	18,966	20,321	21,865
Real estate/rental/leasing	36,714	37,942	35,622	34,950	25,870	34,389	37,831	36,597	46,875	38,116
Management of companies/enterprises	1,686	-	1,324	1,644	938	15	1	-	-	-
Admin/support/waste management/ remediation services	38,494	37,372	34,942	35,281	35,470	37,065	54,218	47,264	47,117	47,490
Educational services	141	144	153	186	104	344	531	2,762	1,931	900
Health care/social assistance	756	1,240	2,243	3,594	1,903	1,930	2,465	2,999	2,961	1,278
Arts/entertainment/recreation	25,765	27,049	31,372	28,676	23,115	25,623	25,657	26,034	24,592	21,877
Accommodation/food service	341,330	372,951	402,040	421,867	402,661	413,133	453,507	477,362	472,830	380,334
Other services (except public administration)	14,495	15,587	15,815	20,877	21,970	24,736	24,868	24,250	33,721	28,736
Other	37	-	-	-	-	-	-	-	-	-
Unclassified	4,539	4,491	6,111	6,997	9,849	-	17,457	-	-	-
Total	1,267,646	1,554,697	1,703,111	1,959,809	1,758,350	1,762,590	1,896,246	1,975,333	2,074,001	1,659,752
City direct sales tax rate	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: Texas Comptroller

(1) Sales tax rate changed from 1% to 2% on 4/1/2007

(2) Only information for three quarters is available for FY 2014

CITY OF GRAPEVINE, TEXAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of Texas</u>
2005	1.00%	6.25%
2006	1.00%	6.25%
10/01/06 - 03/31/07	1.00%	6.25%
04/01/07-9/30/07	2.00%	6.25%
2008	2.00%	6.25%
2009	2.00%	6.25%
2010	2.00%	6.25%
2011	2.00%	6.25%
2012	2.00%	6.25%
2013	2.00%	6.25%
2014	2.00%	6.25%

Source: City Budget Office and Texas Comptroller

CITY OF GRAPEVINE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property Property	Personal Property			
2005	\$ 6,461,000	\$ 2,391,000	\$ 3,625,000	\$ 5,227,000	\$ 0.3635
2006	6,647,000	2,224,000	3,514,000	5,357,000	0.3625
2007	7,026,000	2,068,000	3,684,740	5,409,260	0.3625
2008	7,316,619	2,294,141	3,753,870	5,856,890	0.3625
2009	7,011,568	2,257,318	3,314,798	5,954,088	0.3500
2010	7,339,403	2,446,105	3,588,781	6,196,727	0.3500
2011	7,320,478	2,309,223	3,765,059	5,864,642	0.3500
2012	7,111,827	2,005,549	3,205,119	5,912,257	0.3480
2013	7,373,725	2,169,614	3,311,568	6,231,771	0.3457
2014	7,744,617	2,141,161	3,421,500	6,464,278	0.3425

Source: Tarrant County Appraisal District, Dallas and Denton County Appraisal Districts

TABLE 8

CITY OF GRAPEVINE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				Total Direct and Overlapping Rates
	Operating/ General Rate	General Obligation Debt Service	Total Direct Rate	Junior College	School District	Hospital District	County	
2005	\$ 0.1416	\$ 0.2219	\$ 0.3635	\$ 0.1390	\$ 1.7000	\$ 0.2350	\$ 0.2730	\$ 2.7110
2006	0.1285	0.2340	0.3625	0.139	1.700	0.235	0.273	2.709
2007	0.1150	0.2475	0.3625	0.131	1.324	0.234	0.242	2.293
2008	0.1275	0.2350	0.3625	0.139	1.290	0.230	0.267	2.289
2009	0.1189	0.2311	0.3500	0.138	1.290	0.228	0.264	2.270
2010	0.1364	0.2136	0.3500	0.138	1.290	0.228	0.264	2.270
2011	0.1346	0.2154	0.3500	0.138	1.290	0.228	0.264	2.270
2012	0.1423	0.2057	0.3480	0.149	1.310	0.228	0.264	2.299
2013	0.1357	0.2100	0.3457	0.149	1.320	0.228	0.264	2.307
2014	0.1314	0.2111	0.3425	0.150	1.320	0.228	0.264	2.304

Source: Tarrant County Appraisal District

Note: Tax rate limitations imposed by the Home Rules Section of the Texas Constitution, Article II, Section 5, provide that a maximum tax rate of \$2.50 per \$100 valuation may be imposed in any one year. No provisions are made limiting the amount of this \$2.50 tax rate that can be used for debt service.

TABLE 9

CITY OF GRAPEVINE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited) (Amounts Expressed in Thousands)

Taxpayer	2014		Taxpayer	2005	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Gaylord Texan Resort and Convention Center	\$ 278,139	4.30%	Gaylord Texan Resort and Convention Center	\$ 336,899	6.44%
American Airlines Inc/ Amr Eagle Holding Inc	255,238	3.95%	American Airlines	279,545	5.35%
Grapevine Mills, Ltd. Partnership	230,100	3.56%	CAE Simuflite	189,736	3.63%
Great Wolf Lodge	122,985	1.90%	Grapevine Mills, Ltd. Partnership	179,633	3.44%
CAE Simuflite/Simuflite Training Unit	97,078	1.50%	Delta Airlines	153,757	2.94%
Fund Riverwalk LLC	66,000	1.02%	Verizon Directory/GTE	144,648	2.77%
Rackspace US Inc	54,326	0.84%	Mrah II LP/Mrah III LP	57,894	1.11%
Silver Oaks LP	53,969	0.83%	TXU Electric Delivery	43,823	0.84%
Oncor Electric Delivery Co., LLC.	49,554	0.77%	John Q Hammons Hotel LP	35,000	0.67%
A & B Properties	49,320	0.76%	Industrial Prop Holding LP	34,559	0.66%
Total	\$ 1,256,709	19.43%	Total	\$ 1,455,494	27.85%

Source: Tarrant County Appraisal District (2014)
Grapevine CAFR (2005)

CITY OF GRAPEVINE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands)

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Delinquent Taxes		Total Collections to Date	
		Amount	Percentage of Levy Collected		Amount	Percentage of Levy	Amount	Percentage of Levy
2005	\$ 19,223	\$ 18,764	97.61%	\$ 177	808	4.2%	\$ 18,941	98.5%
2006	19,182	18,945	98.76%	110	829	4.3%	19,055	99.3%
2007	19,572	19,368	98.96%	201	876	4.5%	19,569	99.9%
2008	21,113	20,964	99.29%	156	891	4.2%	21,120	99.9%
2009	22,250	21,936	98.59%	116	925	4.2%	22,052	99.1%
2010	22,208	21,958	98.87%	139	973	4.4%	22,097	99.5%
2011	21,114	20,954	99.24%	131	160	0.8%	21,085	99.9%
2012	21,321	21,211	99.48%	96	110	0.5%	21,307	99.9%
2013	21,468	21,364	99.52%	92	184	0.9%	21,456	99.9%
2014	21,847	21,790	99.74%	-	57	0.3%	21,790	99.7%

Source: Grapevine/Colleyville ISD Tax Assessor

CITY OF GRAPEVINE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands, excluding Percentage of Personal Income and Per Capita)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government Debt	Percentage of Personal Income	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Sales Tax Revenue Bonds	Notes Payable	Water and Sewer Obligations	General Obligation Bonds	Certificates of Obligation	Other Obligations			
2005	\$ 71,775	\$ 67,055	\$ -	\$ 863	\$ 24,448	\$ -	\$ 4,715	\$ 415	\$ 169,271	9.53%	\$ 3,526
2006	71,755	70,600	-	521	22,545	-	4,485	282	170,188	9.39%	3,473
2007	66,275	68,905	-	3,611	13,300	6,820	4,240	144	163,295	9.26%	3,333
2008	60,690	63,675	-	3,195	11,570	6,685	3,980	-	149,795	8.32%	2,996
2009	54,315	65,960	-	6,945	6,780	12,540	-	-	146,540	8.14%	2,431
2010	51,290	59,870	-	5,835	1,585	15,305	-	-	130,690	6.88%	2,614
2011	45,335	55,473	-	4,852	1,035	14,042	-	-	120,795	7.14%	2,570
2012	40,355	50,794	-	3,605	790	9,923	-	-	105,467	6.16%	2,219
2013	102,690	45,659	-	6,296	-	10,962	-	-	165,607	8.89%	3,380
2014	96,655	41,032	19,500	4,472	-	9,095	-	-	170,754	8.94%	3,485

Note: Details regarding the City's outstanding debt can be found in notes to the financial statements.

* See Table 17 for personal income and population data.

CITY OF GRAPEVINE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands except
Percentage of Actual Taxable Value of Property and Per Capita)

Fiscal Year	Governmental Activities			Business-type Activities		Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	(a) General Obligation Bonds	Certificates of Obligation	Total	General Obligation Bonds	Gross Bonded Debt		
2005	\$ 71,775	\$ 67,055	\$ 138,830	\$ -	\$ 138,830	2.84%	\$ 2,892
2006	71,755	70,600	142,355	-	142,355	2.72%	2,905
2007	66,275	68,905	135,180	6,820	142,000	2.49%	2,898
2008	60,690	63,675	124,365	6,685	131,050	2.12%	2,621
2009	54,315	65,960	120,275	12,540	132,815	2.02%	2,656
2010	51,290	59,870	111,160	15,305	126,465	1.79%	2,529
2011	45,335	55,473	100,808	15,135	115,943	1.72%	2,467
2012	40,355	50,794	91,149	9,895	101,044	1.71%	2,109
2013	102,690	45,659	148,349	10,845	159,194	2.55%	3,249
2014	96,655	41,032	137,687	9,095	146,782	2.27%	2,996

Note: Details regarding the City's outstanding debt can be found in notes to the financial statements.

^a See Table 7 for property value data.

^b See Table 17 for population data.

CITY OF GRAPEVINE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2014

(Unaudited) (Amounts Expressed in Whole Numbers)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Carroll Independent School District	\$ 226,024,791	6.07%	\$ 13,719,705
Coppell Independent School District	218,772,323	2.09%	4,572,342
Dallas County	111,350,000	0.11%	122,485
Dallas County Community College District	339,035,000	0.11%	372,939
Dallas County Hospital District	736,235,000	0.11%	809,859
Dallas County Schools	67,265,000	0.11%	73,992
Denton County	614,975,000	- % *	-
Grapevine-Colleyville Independent School District	338,573,481	61.81%	209,272,269
Northwest Independent School District	737,438,319	0.10%	737,438
Tarrant County	317,820,000	6.08%	19,323,456
Tarrant County College District	7,935,000	6.08%	482,448
Tarrant County Hospital District	24,425,000	6.08%	1,485,040
Subtotal overlapping debt			250,971,971
Total direct - City of Grapevine	151,067,182	100.00%	151,067,182
Direct and Overlapping Debt			\$ 402,039,153

* Less than .01%

The percentage of overlapping debt applicable is estimated using taxable assessed property values.

Source: Municipal Advisory Council of Texas

CITY OF GRAPEVINE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Tax rate limitations imposed by the Home Rules Section of the Texas Constitution, Article II, Section 5, provide that a maximum tax rate of \$2.50 per \$100 valuation may be imposed in any one year.

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands, except for Coverage)

Fiscal Year	Tax Increment Financing District Reinvestment Zone Number One				
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments	Coverage
2005	\$ 4,788	\$ 1	\$ 4,787	\$ 2,470	\$ 1.94
2006	4,960	1	4,959	2,470	2.01
2007	5,350	5	5,345	2,482	2.15
2008	5,076	1	5,075	2,498	2.03
2009	5,274	3,087	2,187	2,240	0.98
2010	7,991	1	7,990	2,313	3.45
2011	5,955	1,671	4,284	2,328	1.84
2012	6,696	2,440	4,256	2,344	1.82
2013	4,808	2,352	2,456	2,360	1.04
2014	7,297	1,287	6,010	2,373	2.53

Notes: ^a Includes tax revenues only^b Includes transfers out.

Source: Grapevine Tax Increment Financing District Reinvestment Zone Number One Basic Financial Statements

CITY OF GRAPEVINE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands, except for Coverage)

Fiscal Year	Tax Increment Financing District Reinvestment Zone Number Two					Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Principal and Interest Payments		
2005	\$ 3,401	\$ 1,560	\$ 1,841	\$ 1,719	\$ 1.07	
2006	4,056	-	4,056	1,686	2.41	
2007	3,574	1,539	2,035	1,686	1.21	
2008	3,392	1,536	1,856	2,691	0.69	
2009	3,638	1,591	2,047	2,686	0.76	
2010	5,749	726	5,023	2,677	1.88	
2011	4,291	731	3,560	2,664	1.34	
2012	5,736	1,548	4,188	2,672	1.57	
2013	3,637	2,283	1,354	2,679	0.51	
2014	5,878	2,446	3,432	2,681	1.28	

Notes: ^a Includes tax revenues only^b Includes transfers out.

Source: Grapevine Tax Increment Financing District Reinvestment Zone Number Two Basic Financial Statements

CITY OF GRAPEVINE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

(Unaudited) (Amounts Expressed in Thousands except for
Median Age and Unemployment Rate)

Calendar Year	(1) Estimated Population	Personal Income	(1) Personal Income Per Capita	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2005	48	\$ 1,776	\$ 37	34	14	3.5%
2006	49	1,813	37	34	13	3.5%
2007	49	1,764	36	34	14	3.5%
2008	50	1,800	36	36	14	4.2%
2009	50	1,800	36	36	14	6.6%
2010	50	1,900	38	36	14	6.0%
2011	47	1,692	36	35	14	6.3%
2012	48	1,711	36	35	14	5.6%
2013	49	1,862	38	38	14	5.1%
2014	49	1,911	39	38	14	4.7%

Sources: (1) CLARITAS Report
(2) Grapevine/Colleyville ISD
(3) Texas Workforce Commission Website

CITY OF GRAPEVINE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

(Unaudited) (Amounts Expressed in Thousands except for
Percentage of Total City Employment)

2014			2005		
Employer	Employees	Percentage of of Total City Employment (1)	Employer	Employees	Percentage of of Total City Employment
DFW International Airport	60.0	65.25%	DFW International Airport	16.0	33.00%
Game Stop Corporation	2.4	2.61%	Grapevine/Colleyville ISD	2.0	4.00%
United Parcel Service	2.0	2.17%	United Parcel Service	2.0	4.00%
Grapevine Colleyville ISD	1.8	1.96%	GTE Directory Corporation	1.0	2.00%
Gaylord Texan Resort	1.8	1.96%	Baylor Medical Center	1.0	2.00%
Baylor Medical Center	1.1	1.20%	Gamestop	1.0	2.00%
Great Wolf Lodge	0.6	0.65%	City of Grapevine	0.5	0.50%
City of Grapevine	0.6	0.65%	DFW Hilton Hotel	0.5	0.50%
Pavestone Mfg.	0.4	0.43%	SimuFlite Training Int'l.	0.5	0.50%
Hilton DFW Lakes	<u>0.4</u>	<u>0.43%</u>	Apollo Paper	<u>0.5</u>	<u>0.50%</u>
	<u>71.1</u>	<u>77.32%</u>		<u>25.0</u>	<u>49.00%</u>

Sources: City of Grapevine, Neilsen/Claritas Business Facts, Info. USA

(1) Per Neilsen/Claritas there are 91,961 total employees in the City (including 60,000 at DFW Airport) as of 2014.

TABLE 19

CITY OF GRAPEVINE, TEXAS
FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government and administration	80	78	78	59	60	59	59	57	58	61
Public safety	231	231	230	238	237	236	237	237	240	241
Development services	21	17	15	15	15	15	15	15	15	16
Culture and recreational	153	162	159	163	174	175	169	169	172	175
Water and sewer	48	50	51	51	51	60	59	59	59	60
Golf course	31	31	31	29	29	28	26	26	26	26
Public works	<u>59</u>	<u>58</u>	<u>54</u>	<u>75</u>	<u>67</u>	<u>67</u>	<u>65</u>	<u>65</u>	<u>66</u>	<u>66</u>
Total	<u>623</u>	<u>627</u>	<u>618</u>	<u>630</u>	<u>633</u>	<u>640</u>	<u>630</u>	<u>628</u>	<u>636</u>	<u>645</u>

Source: Annual Budget Report - City of Grapevine

TABLE 20

CITY OF GRAPEVINE, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police										
Calls for service	28,976	36,360	45,815	49,618	52,111	65,361	66,686	67,634	58,680	44,266
Traffic citations	13,603	13,406	17,367	27,363	26,068	25,533	18,995	23,817	21,447	24,441
Criminal offenses	2,714	1,157	3,764	3,905	3,796	3,552	3,346	1,366	3,219	5,318
Fire										
Fire runs	3,856	4,171	3,601	4,682	4,844	4,595	5,079	5,135	5,156	5,101
Ambulance runs	3,168	4,151	3,056	3,132	3,980	3,015	3,343	3,026	3,541	3,614
Development services										
Area in square miles	36	36	36	36	36	36	36	36	36	36
Cultural and recreational										
Picnic areas	35	35	35	35	49	49	49	49	49	49
Library										
Volumes	160,109	173,184	182,241	183,529	191,437	197,509	205,194	186,817	197,377	204,206
Annual circulation	579,497	568,431	531,229	320,267	347,215	341,726	330,975	316,236	303,622	293,434
Water and sewer										
Number of water connections	13,860	13,965	14,117	14,117	14,120	14,343	14,384	14,460	14,517	14,476
Average daily consumption MG (water)	9.62	11.37	8.61	10.75	10.37	10.23	11.98	10.74	10.40	9,348
System capacity - MG (Water)	24	24	24	26	26	27	27	27	27	27
Number of sewer connections	12,686	12,866	12,860	12,946	13,107	13,130	13,081	13,103	13,315	13,387
Number of refuse connections	11,673	12,180	11,279	11,279	11,955	11,865	11,895	11,911	11,964	12,110
Sewer system capacity (MGD)	6	6	8	8	8	8	8	8	8	8
Lake Enterprise										
Number of golfers, annually	77,282	74,000	66,874	70,200	62,882	56,053	65,052	67,555	71,706	68,368

Source: City departments

TABLE 21

CITY OF GRAPEVINE, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited) (Amounts Expressed in Whole Numbers)

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police stations	2	2	2	2	2	2	2	2	2	2
Patrol units	26	26	26	36	30	30	32	32	35	35
Fire stations	5	5	5	5	5	5	5	5	5	5
Public works										
Streets - paved (miles)	180	180	180	180	180	208	208	208	208	208
Parks and recreation										
Acreage*	1,692	1,772	1,522	1,522	1,522	1,522	1,522	1,522	1,522	1,522
Playgrounds	35	34	34	35	35	35	35	35	35	36
Swimming pools	2	2	2	2	2	2	2	2	2	2
Recreation centers	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Central Library	1	1	1	1	1	1	1	1	1	1
Number of golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	N/A	247	280	280	280	280	280	280	290	292
Wastewater										
Sanitary sewers (miles)	N/A	210	230	230	227	227	227	227	224	225

Note: N/A - data not available.

Source: City departments

*Golf course included and land leased from Corp. of Engineers

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Grapevine, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Grapevine, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 10, 2015



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS UNIFORM GRANT
MANAGEMENT STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Grapevine, Texas

Report on Compliance for Each Major State Program

We have audited City of Grapevine, Texas' (the "City") compliance with the types of compliance requirements described in the *State of Texas Uniform Grant Management Standards* that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2014. The City's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Texas Uniform Grant Management Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Texas Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Texas Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 10, 2015

CITY OF GRAPEVINE, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Program Title	Grantor's Number	Expenditures
STATE AWARDS		
<u>Texas Department of Transportation</u>		
State Highway 121 Utility Relocation Project	U14218	\$ 1,006,332
Big Bear Creek Pedestrian Linkage Trail	CSJ# 0364-01-140	<u>46,112</u>
Total Texas Department of Transportation		<u>1,052,444</u>
<u>Texas A&M Forest Service</u>		
Texas Intrastate Fire Mutual Aid System	1031	<u>9,985</u>
Total Texas A&M Forest Service		<u>9,985</u>
Total Expenditures of State Awards		<u>\$ 1,062,429</u>

The accompanying notes are an integral part of this schedule.

CITY OF GRAPEVINE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

SEPTEMBER 30, 2014

Note 1 – General

The Schedule of Expenditures of State Awards presents the activity of all applicable state awards of the City of Grapevine, Texas (the “City”) for the year ended September 30, 2014. The City's reporting entity is defined in Note 1 of the basic financial statements.

Note 2 – Basis of Accounting

The Schedule of Expenditures of State Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. The information in this schedule is presented in accordance with the requirements of *the State of Texas Single Audit Circular*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

CITY OF GRAPEVINE, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? None

State Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with State of Texas Uniform Grant Management Standards? None

Identification of major programs:

State Highway 121 Utility Relocation Project - U14218

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? No

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for State Awards

None

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